

# **Audit**



# **Report**

OFFICE OF THE INSPECTOR GENERAL

MANAGEMENT AND ADMINISTRATION OF THE  
UNITED STATES AIR FORCE ACADEMY

Report No. 96-075

February 23, 1996

**Department of Defense**

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### **Acronyms**

ABW  
FICA  
ISC  
BEEF

Air Base Wing  
Federal Insurance Contribution Act  
Individual Service Contract  
Base Engineer Emergency Force



**INSPECTOR GENERAL**  
DEPARTMENT OF DEFENSE  
400 ARMY NAVY DRIVE  
ARLINGTON, VIRGINIA 22202-2884



February 23, 1996

**MEMORANDUM FOR ASSISTANT SECRETARY OF THE AIR FORCE  
(FINANCIAL MANAGEMENT AND COMPTROLLER)**

**SUBJECT: Audit Report on the Management and Administration of the United States  
Air Force Academy (Report No. 96-075)**

We are providing this audit report for review and comment. The audit was performed in response to a congressional request. Management comments on a draft of this report were considered in preparing the final report.

DoD Directive 7650.3 requires that all unresolved issues be resolved promptly. Therefore, we request that the Air Force provide additional comments by April 23, 1996, on revalidating and clarifying the Secretary of the Air Force Action Memorandum, revoking Athletic Association contracting warrants, lodging the football team at local hotels before home games, evaluating the pay status of civil service coaches attending Sports Camps, discontinuing the mail order catalog, collecting endorsement contracts performance awards revenues, and eliminating Prime Base Engineer Emergency Force follow teams. See Findings A and B for the required responses.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. Harlan M. Geyer, Audit Program Director, at (703) 604-9594 (DSN 664-9594) or Ms. Jean M. Jackson, Audit Project Manager, at (703) 604-9490 (DSN 664-9490). See Appendix I for the report distribution. Audit team members are listed inside the back cover.

Robert J. Lieberman  
Assistant Inspector General  
for Auditing

## Office of the Inspector General, DoD

Report No. 96-075  
(Project No. 4RA-5051.03)

February 23, 1996

### Management and Administration of the United States Air Force Academy

#### Executive Summary

**Introduction.** The Chairman, Senate Subcommittee on Manpower and Personnel,\* Committee on Armed Services, requested this audit in response to a provision in the National Defense Authorization Act for FY 1993. That provision directed the Inspector General, DoD, to audit the noninstructional military staff positions at the Service academies. The Chairman, however, desired an overall evaluation of the management and administration of the academies. This is the last in a series of reports on the audit results.

**Audit Objectives.** The audit objectives were to determine whether the operations of the United States Air Force Academy (Academy) were within the intent and scope of United States Code, title 10, and DoD guidance; to evaluate the economy and efficiency of the operations of the Academy; and to follow up on recommendations in Inspector General, DoD, Audit Report No. 94-002, "Noninstructional Military Positions at the United States Air Force Academy," October 15, 1993. The audit also evaluated the effectiveness of applicable management controls at the Academy.

**Audit Results.** The Academy was generally operating within the intent and scope of United States Code, title 10, and DoD guidance and had begun implementing the position management recommendations in Inspector General, DoD, Report No. 94-002. The audit identified the following conditions as warranting management action.

- o The Athletic Association executed procurement actions that did not comply with Federal, DoD, and Air Force policies and procedures; unnecessarily disbursed about \$30,000 for lodging and meals for the football team; inappropriately received appropriated funding support; accrued significant overtime; accepted travel benefits from private companies; and did not distinguish between contract personnel and Government employees. As a result, an undeterminable amount of both appropriated and nonappropriated funds were unnecessarily spent (Finding A).

- o The Academy incorrectly designated about 150 civil engineering positions in the 10th Civil Engineering Squadron as military-unique. As a result, 150 military personnel could be available for reassignment to more essential functions within the Air Force without adversely affecting the mission of the Academy (Finding B).

- o The Academy was authorized 33 positions that were not essential for the accomplishment of its mission or for the maintenance of the quality of life of the Cadet Wing. Also, the Academy designated three positions as military-unique, although the duties and responsibilities of those positions could be accomplished more cost-effectively by using civilians (Finding C).

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\*Now, Subcommittee on Personnel.

Implementation of the recommendations will enable management to reassign military personnel within the Air Force without affecting the mission of the Academy. Implementation will also provide funds that could be put to better use for the FYs 1996 through 2001 Future Years Defense Program. Appendix G summarizes the potential benefits of the audit.

**Summary of Recommendations.** We recommend clarifying Secretary of the Air Force policy, establishing policies and procedures to comply with Federal and DoD guidance, conducting oversight of the Athletic Association operations, realigning the Athletic Association's contracting operations, eliminating football players' midday meal allowances at home football games, abolishing the mail order catalog, and reporting the technical ethics violation. We recommend terminating the wartime requirement in civil engineering, reclassifying 150 military positions to civilian positions, and determining whether the civil engineering operations at the Academy could be contracted out. We also recommend reviewing and approving unfunded manpower requirements; providing the implementation dates and benefits resulting from the consolidation and realignment of functions; determining whether supply services could be added to an existing supply contract; and converting three military positions to civilian positions.

**Management Comments.** The Air Force concurred with all recommendations in the draft report except the discontinuing of lodging the football team in local hotels before home games, placing civil service coaches in the correct pay status for Sports Camps, discontinuing the issuance of the gift shop mail order catalog, stopping the withholding of taxes and paying the employers' share of Federal Insurance Contribution Act contributions for contract employees, establishing procedures for collecting endorsement revenues, and eliminating the military engineers and replacing them with civilian or contract personnel. The Air Force did not address revoking contract warrants from Association personnel or transferring previously collected utility charges. In addition, while the Air Force concurred with revalidating and clarifying the 1987 Secretary of the Air Force Action Memorandum, we take exception to exemptions incorporated into the new Action Memorandum. See Part I for a summary of management comments and Part III for the complete text of the comments.

**Audit Response.** We continue to believe that the propriety, economy and efficiency of Academy operations would improve by implementation of the recommendations to discontinue lodging the football team in local hotels before home games, to place civil service coaches in the correct pay status for Sports Camps, to discontinue issuance of the gift shop mail order catalog, to establish procedures for collecting endorsement revenues, to eliminate the military engineers and replace them with civilian or contract personnel, and to revoke contract warrants from Association personnel. Air Force policies and regulations do not hamper Athletic Association operations, are generally based on DoD and Federal regulations, and should not be eliminated as controls over the Athletic Association.

We ask that the Air Force provide additional comments on the final report by April 23, 1996.

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## **Part I - Audit Results**

### Audit Background

The Chairman, Senate Subcommittee on Manpower and Personnel,<sup>1</sup> Committee on Armed Services, requested this audit in response to a provision in the National Defense Authorization Act for FY 1993. That provision originally directed the Inspector General, DoD, to audit the noninstructional military staff positions at the military academies. The Chairman, however, desired an overall evaluation of the management and administration of the Service academies.

The United States Air Force Academy (Academy) is the newest of the academies. The Academy was established in 1954 and is located near Colorado Springs, Colorado. The mission of the Academy is to "develop and inspire air and space leaders with vision for tomorrow." To accomplish that mission, the Academy is charged with providing training and experience to its 4,012 cadets so that they graduate with the knowledge, character, and motivation essential to leadership as career officers in the Air Force. Students (cadets) at the Academy receive instruction in academics, professional military training, and athletics and are subject to a character and honor code system that covers every aspect of Academy life. Upon graduation, cadets are commissioned into the Air Force with the rank of second lieutenant.

For FY 1994, the Academy was authorized \$283.8 million, of which \$121.8 million was for operation and maintenance. As of May 9, 1995, the Academy employed 2,055 military and 1,822 civilian personnel.

**Organizational Structure.** The Academy is unique in that it is a university supported by an Air Force base and is tasked as a major command because of its status as a direct reporting unit. The Superintendent is the commander of the Academy and reports directly to the Chief of Staff of the Air Force. The Vice Commander (formerly the Chief of Staff) serves as the administrator. The Vice Commander directs and coordinates staff operations and performs other functions as directed by the Superintendent. In addition, the Academy has a Board of Visitors that provides oversight.

**The 10th Air Base Wing.** Although the Academy is able to provide instruction and support the daily needs of the cadets, the Academy receives support from the 10th Air Base Wing (ABW). The 10th ABW is an active duty Air Force installation established in November 1994. The mission of the 10th ABW is to "continuously improve the facilities, services, and resources needed to accomplish the Academy mission; and to support Academy personnel, their families, and our surrounding community." The 10th ABW is organized like other active wings. For example, the 10th ABW has Directorates for Logistics, Civil Engineering, Security, and Services.

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<sup>1</sup>Now, Subcommittee on Personnel.



## Audit Objectives

The audit objectives were to determine whether the operations of the Academy were within the intent and scope of United States Code, title 10, and DoD guidance; evaluate the economy and efficiency of the operations of the Academy; and follow up on recommendations in Inspector General, DoD, Report No. 94-002, "Noninstructional Military Positions at the United States Air Force Academy," October 15, 1993. The audit also evaluated the effectiveness of applicable management controls at the Academy. See Finding A for a discussion of the management control weaknesses we identified and Appendix A for a discussion of the audit scope, methodology, and management control program. See Appendix B for a summary of prior coverage related to the audit objectives, Appendix C for a discussion of matters related to the Athletic Department and programs, and Appendix D for a discussion of matters related to recommendations in Report No. 94-002.

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## **Finding A. Athletic Association Operation and Management Procedures**

The Academy Athletic Association's procurement actions did not comply with DoD and Air Force policies and procedures. Also, the Athletic Association unnecessarily disbursed about \$30,000 for football team expenses; inappropriately received appropriated funding support; accrued high levels of and unauthorized overtime; accepted travel benefits from private companies; and did not distinguish between contract personnel and Government employees. These conditions occurred because the Athletic Association did not follow procedures and guidance in public law, DoD, and Air Force instructions and regulations, as a result of its interpretation of a 1987 Secretary of the Air Force Memorandum and waivers. As a result, both appropriated and nonappropriated funds were unnecessarily expended.

### **1987 Secretary of the Air Force Memorandum and Waivers**

The Athletic Association is a nonappropriated fund instrumentality authorized and established to provide essential supplemental support for the Academy's athletic programs. The specific objectives of the Athletic Association are to:

- o provide direct supplemental support to the Academy athletic programs, which entails participation in physical education, intramural sports, and intercollegiate athletics by members of the Cadet Wing;
- o enhance the public image of the Academy and the Air Force; and
- o provide a medium through which the general public can be exposed to the Academy and its athletic programs.

The Athletics Department is responsible for overseeing the day-to-day activities of the Athletic Association.

**Secretary of the Air Force Action Memorandum.** On April 14, 1987, the Secretary of the Air Force signed an Action Memorandum that specifies the policies governing the operations of the Athletic Association as a Supplemental Mission Services Nonappropriated Fund Instrumentality of the Air Force. The Action Memorandum states that the Athletic Association is a highly specialized organization and that it is unlike any other nonappropriated fund activity in the Air Force. The Action Memorandum also states that the operations of the Athletic Association would be in accordance with directives applicable to other nonappropriated fund instrumentalities, except where specific waivers have been requested by the Superintendent of the Academy and have been approved by the appropriate Air Force agency. Specifically, the Action Memorandum states:

## **Finding A. Athletic Association Operation and Management Procedures**

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... the entire operations of the [Athletic Association] will be subject to full scrutiny, and will adhere to standard intercollegiate policy, practices, and athletic regulations as promulgated by the NCAA [National Collegiate Athletic Association], so long as such policy, practices, and athletic regulations are not inconsistent with applicable Federal laws or DoD or other Federal agency regulations.

The Action Memorandum grants specific operating waivers to the Athletic Association in areas relating to procurement, public relations, insurance, and personnel contracts. For the complete terms of the waivers, see Appendix E. An official of the Office of Financial Management, Plan, Systems and Analysis, Nonappropriated Fund, Headquarters, Air Force, stated that no other waivers existed and that no additional waivers had been granted to the Athletic Association and its operations. Also, as of May 9, 1995, the Superintendent of the Academy was unaware of any additional waivers granted or requested for the Athletic Association other than those cited in the April 1987 Secretary of the Air Force Action Memorandum.

**The Athletic Department and the Athletic Association Interpretation of the Action Memorandum.** Personnel in the Athletic Department and the Athletic Association interpreted the Secretary of the Air Force Action Memorandum as a blanket waiver in four categories: procurement, personnel contracts, public relations, and insurance. For procurement, some Athletic Department and the Athletic Association officials interpreted the waiver to mean that the Athletic Association had no limits on the types of procurement actions it could process. Specifically, some Athletic Department and Athletic Association officials believed none of the Athletic Association's procurement actions were bound by any Air Force regulation or instruction. Also, some Athletic Department officials stated that the public relations element of the Athletic Association was neither restricted by nor required to comply with Air Force regulations or instructions, because Air Force policies do not address the unique operations of the public relations program. Further, the Athletic Association considered almost every activity it sponsored, including revenue-generating activities such as public relations, as relating to the Athletic Department, the Academy, or the Air Force mission.

**The Academy Staff Judge Advocate Interpretation of the Action Memorandum.** The Academy Staff Judge Advocate office is responsible for reviewing a variety of the Athletic Association's actions, including services contracts.<sup>2</sup> On September 19, 1994, the Staff Judge Advocate issued a legal opinion on his interpretation of the Action Memorandum. The Staff Judge Advocate stated that of the four waivers, the procurement waiver was the most

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<sup>2</sup>The Athletic Association has three different categories for contracting. First, individual service contracts are used to contract an individual or a group of individuals for a specific service or services. The individual(s) do not necessarily possess unique skills required to perform the specific service. Second, personal service contracts are contracts specifically for contract coaches, coaching staff, secretaries, and marketing and development personnel. Third, nonpersonal service contracts are contracts for services other than personnel (for example, lodging, advertising, or sports camp supplies).

## **Finding A. Athletic Association Operation and Management Procedures**

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extensive and granted the Superintendent the most authority. The Staff Judge Advocate further stated that the Superintendent was authorized to waive provisions of Air Force Regulation 34-3, "Personnel Service, Morale, Welfare and Recreation Basic Responsibilities, Policies, and Practices," February 15, 1974, which were inconsistent with acceptable intercollegiate athletic practices. However, the Staff Judge Advocate also stated that procurement actions must conform with DoD directives and instructions. For the public relations waiver, the Staff Judge Advocate stated that the Athletic Association was authorized to conduct public relations activities common to intercollegiate athletics and consistent with National Collegiate Athletic Association policies. For the insurance waiver, the Staff Judge Advocate stated that the Athletic Association was authorized to procure commercial insurance, but was required to review its policies annually to determine the possibility of using the Air Force nonappropriated fund central insurance funds. For the personnel contracts waiver, the Staff Judge Advocate stated that the Secretary of the Air Force identified certain personnel who could be hired using personal services contracts.

**Inspector General, DoD, Deputy General Counsel Opinion Concerning the Waivers.** On April 20, 1995, the Office of Deputy General Counsel, Inspector General, DoD, issued an opinion on the Action Memorandum. The Deputy General Counsel stated that the Action Memorandum provided limited waiver authority to the Superintendent of the Academy. The Deputy General Counsel also stated that the Action Memorandum authorized limited waiver authority to the Superintendent in relation to Air Force Regulation 34-3. The opinion further states that if specific waiver authority was obtained, exemptions from other provisions may be granted. However, the Deputy General Counsel stated that the thrust of the Action Memorandum was that the operation of the Athletic Association would be in accordance with directives applicable to other nonappropriated fund instrumentalities absent specific waivers from the Air Staff. The opinion further explained that the Action Memorandum statement that the Athletic Association "may follow NCAA [National Collegiate Athletic Association] practices so long as such policy, practices, and athletic regulations are not inconsistent with applicable Federal laws or DoD or other Federal agency regulations" did not exempt the Athletic Association from all Air Force policy, directives, and instructions. The Deputy General Counsel concluded that the Athletic Association was subject to Air Force policy requirements and that the Action Memorandum did not provide a blanket waiver under which the Athletic Association could operate.

## **Athletic Association Procurement Practices**

**Athletic Association Policy Requirements.** The Athletic Association's procurement practices did not comply with DoD regulations. Athletic Department Operating Instruction 176-5, "Procurement of Supplies, Equipment and Services," January 6, 1995, identifies the procurement policy for the Athletic Association. The Instruction states, "individuals filling the following positions may approve or negotiate contracts: Director of Athletics, Director of

## **Finding A. Athletic Association Operation and Management Procedures**

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Athletic Support, Athletic Business Manager, and Event/Logistics Manager." The Instruction also states that purchase orders and contracts associated with the following categories were exempt from procurement provisions:

- o intercollegiate athletic contest agreements and game officials;
- o transportation, meals, and lodging for athletic teams and athletic support personnel;
- o professional athletic staff contracts; and
- o public relations, promotion, and advertising.

However, none of the personnel in the positions identified in Instruction 176-5 had been given the authority to approve or negotiate contracts. Additionally, Instruction 176-5 conflicts with DoD nonappropriated funds procurement policies. Specifically, categories identified in Instruction 176-5 were not exempt from procurement policies in DoD Instruction 4105.67, "Nonappropriated Fund Procurement Policy," October 2, 1981. DoD Instruction 4105.67 requires that purchase orders and contracts be competed to the maximum extent practical, prices paid by the Government be fair and reasonable, sole-source procurements be justified, and individuals involved in the procurement process be trained in procurement policy and procedures. Therefore, Instruction 176-5 should be revised to incorporate applicable DoD guidance.

**Purchase Order Operations.** We reviewed the Athletic Association's Nonappropriated Fund Purchase Order Registers for school years 1993 through 1994 and 1994 through 1995 (ending February 2, 1995). The purchase order registers contained more than 1,000 purchase orders with a total value of about \$1 million. We selected 69 purchase orders with values of more than \$2,500 each. The total value of purchase orders selected for review was about \$590,000 or 59 percent of the disbursements listed on the Athletic Association's purchase order registers.

**Lack of Competition.** Of the purchase orders reviewed, the Athletic Association issued purchase orders totaling about \$322,000 that were not competed. Further, about \$306,000 in purchase orders did not contain the appropriate written justification for sole-source procurements. Also, 54 of the 69 purchase orders did not have documentation that showed that the prices obtained were fair and reasonable. As a result, the Academy had little assurance that the Athletic Association made purchases that were fair and equitable or obtained reasonable prices that were the best value to the Academy.

**Exceeding Contract Warrant Authority.** The Athletic Association has two positions that maintain contracting warrant authority, specifically the contracting officer and the contract specialist (position numbers US04708 and US04543). About \$324,500 of the \$590,000 in purchase orders reviewed exceeded the \$2,500 monetary limit of the contracting officer's warrant authority. Purchases that exceeded the contracting officer's warrant authority were usually for nonpersonal services (for example, lodging and advertising); in

## **Finding A. Athletic Association Operation and Management Procedures**

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most cases, the contracting officer was aware that he exceeded his warrant authority. The contracting officer stated that his supervisor and other Athletic Association officials had determined that the majority of the Athletic Association procurement actions were permissible under the waiver authority granted in the Secretary of the Air Force Action Memorandum. As a result, in school year 1993 through 1994, the contracting officer issued a purchase order for about \$18,000 for lodging the football team and staff in Honolulu, Hawaii, and, in school year 1994 through 1995, the contracting officer issued a purchase order for about \$20,000 for commercial air time. In both instances, the contracting officer stated that he was aware that he exceeded warrant authority.

**Ratification of Unauthorized Commitments.** Air Force Regulation 176-9, "Nonappropriated Fund Contracting," May 30, 1991, defines an unauthorized commitment as an agreement that is not binding solely because the Government representative who made the commitment lacked the authority to enter into a contract on behalf of the Government. Ratification is the process of approving an unauthorized commitment to pay for the supplies or services provided to the Government as a result of the unauthorized commitment.

**Ratification Process.** Air Force Manual 64-302, "Nonappropriated Contracting," October 21, 1994, provides guidance for the ratification process. For transactions costing from \$500 through \$25,000, the installation commander is authorized to approve or disapprove ratification of unauthorized commitments. The Vice Superintendent of the Academy had been assigned the ratification responsibility for the Athletic Association. Further, unauthorized commitments for more than \$25,000 must be approved by the Air Force Nonappropriated Fund Purchasing Office.

**Unauthorized Commitments Ratified.** Eighteen unauthorized commitments within the Athletic Association, totaling \$50,038, had been ratified and approved for payment from May 1994 through February 1995. Review of the 18 unauthorized commitments showed that the approving official at the Academy was not given enough information to effectively determine whether to approve or disapprove the ratification. Further, the Athletic Association's unauthorized commitments were always approved; the ratification process had become a routine matter instead of a corrective action to prevent future unauthorized commitments. For example, a contracted coach obligated Athletic Association funds to support Sports Camp requirements without authority or without informing the contracting officer. As an independent contractor to the Athletic Association and according to the terms of his contract, the coach did not have the authority to negotiate and obligate Athletic Association funds. As a result, the coach incurred unauthorized expenses totaling \$11,990 on June 30, 1994. On September 21, 1994, the coach again made an unauthorized obligation of \$3,847. The Athletic Department submitted ratification requests for the items purchased in June and September on January 18, 1995, and February 14, 1995, respectively. Athletic Department officials stated that the Sports Camp Director and the coach were counseled and "indicated that it would not happen again." The ratification requests were subsequently approved. On May 8, 1995, the Director of the Athletic

## **Finding A. Athletic Association Operation and Management Procedures**

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Department stated that the coach, a contract employee, had subsequently been authorized to sign purchase orders as a representative of the Athletic Association.

**Unauthorized Commitments Not Ratified.** During school years 1993 through 1994 and 1994 through 1995 (ending February 2, 1995), at least 14 unauthorized obligations, totaling \$414,285, were paid by the Athletic Association without being ratified. The Athletic Association made purchases and expenditures without issuing purchase orders or awarding contracts. For example, Special Events officials were responsible for obtaining transportation and lodging for the football team for away football games. On April 25, 1994, the Athletic Program Manager signed an agreement with Continental Airlines for about \$175,000 to provide charter air service for away football games within the continental United States for the 1994 football season. Also, the Athletic Special Event Manager arranged for the football team to travel to Hawaii through Bel Air Travel of Honolulu, Hawaii. Bel Air Travel provided commercial airline tickets totaling \$101,767. However, the Special Events officials did not have contracting authority; therefore, any obligations made by those individuals were unauthorized and required ratification before payment. On July 26, 1995, the Chief, Air Force Nonappropriated Fund Procurement, stated that ratification of the actions was not necessary since payment had already been made. Additionally, Special Events officials and the contracting officer failed to use the Athletic Association's existing contracted travel service, American Express Travel Related Services Company, Inc. As part of the contract, the Athletic Association would have been refunded 4 percent of the total retail value of the travel services performed. Consequently, the Athletic Association lost rebates of at least \$7,033 for the continental charters and \$1,850 for the Hawaii trip.

## **Academy Oversight of Athletic Association Procurement Procedures**

In accordance with Air Force Instruction 34-201, "Use of Nonappropriated Funds," July 25, 1994, and Air Force Instruction 64-301, "Nonappropriated Fund Contracting," April 18, 1994, the Academy's Nonappropriated Funds Financial Analysis Branch and the 10th ABW Contracting Office were responsible for conducting periodic oversight reviews of procurement actions of the Athletic Association. However, neither office had reviewed the procurement actions of the Athletic Association. As a result of our audit work, in January 1995, the 10th ABW Contracting Office initiated preliminary work to conduct an annual oversight review of the Athletic Association's contracting operations.

## **Lodging and Meals for Home Football Games**

**Local Lodging for Home Football Games.** The National Collegiate Athletic Association rules allow for, but do not require, home teams to stay off campus (base) before games. Using that rule, the Academy approved the football team to stay at a hotel in the Colorado Springs area for one or two nights before a home game. The cadets, however, were not placed on travel orders while staying at the local hotel. Instead, the Athletic Association accepted the responsibility for paying for lodging and meals.

**Meal Allowances Provided to Football Players.** On the days of home football games, each member of the football team received a meal allowance of \$10 to \$15. The meal allowances totaled \$5,298 for the 1994 season. Those meal allowances exceeded amounts specified in Athletic Department Operating Instruction 176-1, "Financial Policies and Procedures," March 22, 1993. Instruction 176-1 states that when contract meals (meal paid for by the coach or an official representative of the Academy) are not provided, a meal allowance will be provided to team members in the amounts of: breakfast \$5, lunch \$5, and dinner \$10. However, because the football team was not placed on travel status during home games, the team ate Academy meals and should not have received meal allowances.

Breakfast for the football team was provided by the hotel the morning of the game. Breakfast was not included in the price of the hotel room and cost the Athletic Association about \$1,500 for the 1994 football season. For midday meals, Mitchell Dining Hall records indicated that the football team was provided either box lunches or meals from the Tail Gate menu. Tail Gate meals from Mitchell Dining Hall are provided to the entire Cadet Wing as a midday meal during home games. Trainers or managers picked up the midday meals for the football team on the mornings of the games. However, for home games, the Athletic Association paid each football player from \$10 to \$15 for the midday meal allowance or a total of \$883 per game. Further, the allowance the Athletic Association paid the football players was from \$5 to \$10 more than the meal allowance specified in Athletic Department Operating Instruction 176-1. The evening meals were available at the dining hall after the game from 5:00 p.m. to 7:00 p.m.

## **Funding for the Sports Camps**

**The Association and Summer Camps Funding Category.** Air Force Instruction 65-106, "Appropriated Fund Support of Morale, Welfare, and Recreation and Nonappropriated Fund Instrumentalities," October 28, 1994, identified the Athletic Association and its activities as category C revenue-generating activities. A category C activity has the highest capacity to generate revenue and is considered to be self-sustaining and capable of funding most of its own expenses. Also, a category C activity is authorized almost no appropriated funding support. The Academy and the Athletic Association



## Finding A. Athletic Association Operation and Management Procedures

considered the Sports Camps as part of the mission of the Academy rather than a category C activity and, therefore, allocated appropriated funding support to the Sports Camps, even though the Sports Camps grossed about \$1 million during school year 1993 through 1994.

**Headquarters, Air Force, Guidance.** In January 1995, the Academy contacted Headquarters, Air Force, to request that the Athletic Association be exempted from portions of Air Force Instruction 65-106. Specifically, the Academy requested that the Athletic Association be allowed to use appropriated funding support. In response to the Academy's request, Headquarters, Air Force, informed the Academy that the Air Force did not have the authority to exempt the Academy from policies in Air Force Instruction 65-106, because it was based on policy prescribed in DoD Directive 1015.6, "Fund Morale, Welfare, and Recreation," August 3, 1984. Headquarters, Air Force, suggested to the Academy that it would be more appropriate to discuss the unique nature of the Athletic Association in a supplement to Air Force Instruction 65-106. Headquarters, Air Force, recommended that the supplement describe the activities of the Athletic Association, identify the funding source for the various expenses, and describe the relationship between the Athletic Association activities and the mission of the Academy. However, as of May 9, 1995, the Athletic Association had not submitted a supplement for Air Force Instruction 65-106 to Headquarters, Air Force.

**Academy Staff Judge Advocate Legal Opinion.** On February 8, 1995, the Academy's Staff Judge Advocate issued a legal opinion concerning funding support for the Sports Camps. Contrary to DoD and Headquarters, Air Force, guidance, the legal opinion stated that since a major objective of the Sports Camps was to further the Academy's mission, the Staff Judge Advocate did not view appropriated funding support of the Sports Camps as supporting the Athletic Association, but as appropriate and legal and in furtherance of the Academy's mission.

**Office of Admission's Survey Results.** Although the Academy's Staff Judge Advocate indicated that the Sports Camps were used to recruit new cadets and that the Sports Camps were directly related to the mission of the Academy, the Office of Admissions issued a survey to the Cadet Wing to determine what influence the Sports Camps played in the cadets' decisions to attend the Academy. The results of the survey are shown in Table 1.

**Table 1. Cadets Influenced by the Sport Camps to Attend the Academy**

<u>Class Year</u>	<u>Class Size</u>	<u>Sports Camps Influenced Decision (Percent)</u>	<u>Sports Camps Activity Most Influenced Decision (Percent)</u>
1996	1,199	4.2	1.4
1997	1,130	4.3	1.4
1998	1,260	3.8	1.7

## **Finding A. Athletic Association Operation and Management Procedures**

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The results of the survey showed that the Sports Camps did not significantly influence the cadets to attend the Academy. Further, the results of the survey did not support the Staff Judge Advocate's decision that the Sports Camps furthered the Academy's mission.

**Appropriated Funds Used to Operate the Sports Camps.** The level of appropriated funding support for the Sports Camps varied from using personnel to using Academy facilities. For example, about 41 percent of the Sports Camp staff were military personnel assigned to the Athletic Department, military personnel assigned to other Air Force units, recent Academy graduates awaiting their initial assignments, or cadets attending the Academy. Additionally, as part of their normal Academy duties, personnel in the Facilities and Support Division of the Athletic Department supported the Sports Camps. The Athletic Department also tasked organizations outside the Athletic Department to support the Sports Camps. For example, the 10th Logistics Group provided the Athletic Association bus transportation during the Sports Camp for school year 1993 through 1994. Also, the 34th Training Wing incurred dormitory damage during the Sports Camp for school year 1993 through 1994. As of May 9, 1995, the Athletic Association had reimbursed neither the 10th Logistics Group nor the 34th Training Wing.

## **Civil Service Personnel Supporting Sport Camps**

Ten coaches involved in the Sports Camps were civil service employees. The Athletic Department placed those civil service employees in a nonpay status during each June, allowing the civil service coaches to receive a percentage of the profits from their individual camps. In school year 1993 through 1994, the civil service employees received from \$2,500 to about \$16,000 from the Sports Camps.

**Historical Use of Coaches.** Before 1989, civil service coaches were placed on annual leave while working at the Sports Camps. After 1989, the civil service coaches were reclassified from full-time employees to seasonal employees because of low workload requirements during the summer months and to avoid dual compensation problems from working the Sports Camps. Seasonal employment is defined as recurring periods of work lasting fewer than 12 months a year. Seasonal employees are placed in a nonduty/nonpay status and are recalled to duty in accordance with preestablished conditions of employment. The Federal Personnel Manual, chapter 340, "Other Than Full-Time Career Employment," March 12, 1985, sections 2.2 through 2.6 state:

An agency determines the length of a season in accordance with staffing levels and workload requirements, subject to the condition that the length of the season must be clearly tied to the nature of the work and may not be used as a substitute for full-time employment . . . that a Notification of Personnel Action must be processed to change an employee from one work schedule to another . . . seasonal employee is released to nonpay status at the end

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of the season and recalled to duty for the next season. Release and recall procedures must be established in advance, and uniformly applied. These may be based on performance, seniority, veteran preference, other appropriate indices, or a combination of factors.

However, the Academy had no documentation supporting the changes in work schedules from full-time to seasonal. The Academy reclassified the coaches' positions to seasonal without formally documenting workload requirements. We determined that the primary reason the civil service coaches were reclassified was to make them available to work the Sports Camps. Additionally, the Academy inconsistently applied and documented the nonpay periods for different employees.

**Civil Service Personnel in Nonpay Status.** The Athletic Department had three ways to pay civil service employee coaches in relation to Sports Camps. First, when the Sports Camp sponsored the same sport that the employee coached, the coach was required to be placed in a nonpay status. Second, when the Sports Camp did not sponsor the coach's sport, the coach could justify either another position in the Sports Camp or work related to his or her school year activities. In that situation, the coach was retained in a full-time pay status. Third, when the Sports Camp did not sponsor the coach's sport, the Athletic Department reclassified the coach as a full-time employee assigned to assist in the Sports Camp.

Several coaches did not enter a nonpay status during June and were allowed to work 1 or 2 weeks during that month. For example, the boxing coach is a seasonal civil service employee who was not required to go into a nonpay status in school year 1993 through 1994. Boxing was not offered in the 1994 Sports Camps, but the boxing coach was allowed to work as the Assistant Sports Camp Director. Although the coach was not in a nonpay status, neither the Athletic Department nor the Academy Personnel office documented the boxing coach's change in work schedule in the personnel file. Additionally, the position of Assistant Sports Camp Director was not an authorized position for either the Athletic Association or the Athletic Department. As another example, the strength coach was not reclassified from a full-time to a seasonal employee. The strength coach indicated that his position was not reclassified because the Sports Camp did not require a strength coach. However, the strength coach usually gives a half-hour lecture during the Sports Camps, which is classified as part of the strength coach's normal school year duties. The strength coach stated that the workload requirements were usually low during the summer, but increased near the end of June, when the incoming freshmen class reported to the Academy. The strength coach had the same job classification and basic workload requirements as the other coaches who were reclassified as seasonal employees.

## **Facility Licensing Agreements**

**Facility Usage Fee.** Air Force Instruction 32-9003, "Granting Temporary Use of Air Force Real Property," July 22, 1994, provides guidance on granting

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temporary licenses for use of Air Force property or facilities. Instruction 32-9003 states that "Base Commanders must charge users who do not directly support the installation's mission the appraised fair market value of the property." The Instruction also states that revenues from the usage fees are to go to a special treasury account set up for the Air Force. Headquarters, Air Force, gave the Academy's Athletic Department Director signature authority for licenses to use Academy property or facilities. The Director of the Athletic Department is required to independently determine whether a usage fee will be charged on facility licenses. No usage fees were assessed on any of the 42 facility licenses issued by the Athletic Association in FYs 1994 and 1995 (ending March 31, 1995). As a result, the Academy lost about \$40,000 in usage fees for that period.

**Utilities Fees.** Air Force Instruction 32-1061, "Providing Utilities to Air Force Installations," June 14, 1994, provides guidance on when utilities and other services are to be supplied with or without reimbursement. Utilities include electricity, gas, and water; other services include items such as personnel and equipment. Receipts from the sale of utilities and other services are to go to the Academy's Operation and Maintenance account. The Athletic Association assessed utility charges in facility licenses; however, not all utility charges were collected. For example, utility charges for four facility licenses totaling \$2,710 in FY 1994 and \$2,480 in FY 1995 were not collected. Additionally, those utility charges that were collected were improperly deposited into the Athletic Association account instead of the Academy's Operation and Maintenance account. In FYs 1994 and 1995, the utility charges collected and deposited into the Athletic Association account totaled \$4,240 and \$2,430, respectively.

The Athletic Association facility licenses also assessed fees for other expenses that included charges for items such as personnel and equipment expenses. No documentation showed whether the indirect costs related to the appropriated support provided to Athletic Association activities. As a result, we cannot determine whether the fees should have been reimbursed to the Academy instead of the Athletic Association. In FYs 1994 and 1995, the other charges that the Athletic Association collected totaled \$40,160 and \$69,710, respectively. However, the Athletic Association did not collect facility licensing fees totaling \$11,040 in FY 1994 and \$5,650 in FY 1995.

In January 1994, the Business Manager of the Athletic Association issued guidance stating that all licensing agreements must be coordinated with the Athletic Association Business Office. According to the Business Manager, the representatives in the Business Office would log and track the licensing agreements to ensure collection. As of May 9, 1995, those procedures had not been implemented.

## **Gift Shop Overtime**

The Athletic Association Business Office management personnel were not effectively monitoring payroll costs in the Visitor's Center Gift Shop. Overtime

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hours frequently were not requested and approved in advance as required, and the Gift Shop manager and his assistant improperly approved their own overtime.

**Significant Overtime From July 1994 Through February 1995.** Frequently, the Gift Shop manager had not properly requested to work overtime in accordance with requirements in Air Force Manual 177-372A, volume II, "Time and Attendance Reporting Civilian Pay System," July 1992, and the Nonappropriated Funds Personnel System Program Action Directive, April 14, 1991. The Gift Shop manager was compensated for 80 hours of regular duty and an additional 99 hours of overtime for the pay period ending December 14, 1994, and 86 hours of overtime for the pay period ending February 11, 1995. The payroll records showed that personnel assigned to the Gift Shop received about \$39,400 in overtime pay for the first 6-1/2 months of school year 1994 through 1995 compared with \$13,473 for the entire 1993 through 1994 school year. The Gift Shop manager received about \$13,000 of overtime pay from September 11, 1994, through February 11, 1995. Reasons for the significant increase in overtime during this period were not provided, and the lack of documentation prohibited our determining whether or not the overtime was proper.

**Payment of Unauthorized Overtime.** The Athletic Association Business Manager or other designated official in his absence is responsible for certifying time cards and overtime for the Gift Shop manager and assistant managers. However, the Nonappropriated Fund Financial Management Branch processed and paid the payroll and overtime records without the signature of a proper certifying official. For example, for the pay period ending January 28, 1995, the Gift Shop assistant manager certified overtime hours and payroll for the Gift Shop, which included \$568 in overtime for himself and \$1,245 in overtime for the Gift Shop manager. For the pay period ending February 11, 1995, the Gift Shop manager certified the overtime hours and payroll, which included \$2,002 in overtime pay for himself.

## **Travel Benefits From Non-Federal Sources**

The Academy's nonappropriated funds procurement officials are subject to the standards of ethical conduct prescribed in DoD Directive 5500.7-R, "Joint Ethics Regulation," August 1993. DoD 5500.7-R, chapter 4, section 1, "Acceptance of Official Travel Benefits in Kind or Payment for Official Travel Expenses," states:

Any official travel benefits from non-federal sources accepted by the travel approving authority must be: (a) approved in writing by the travel approving authority with the advice of the DoD employee's ethics counselor; (b) if accepted under the authority granted by 31 U.S.C. 1533, approved in advance of travel.

The buyer for the Visitors' Center Gift Shop served as the main procurement official for the Gift Shop. The buyer was responsible for negotiating with

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manufacturer representatives for the purchase of a wide variety of goods for the Gift Shop. The buyer also participated in the selection of items offered by the Gift Shop in its annual Gift Shop Catalog.

The Gift Shop buyer accepted and used airline tickets for official travel from vendors who were potential suppliers for the Gift Shop. On November 28, 1994, the buyer accepted and used a commercial airline ticket provided by Gear For Sports of Lenexa, Kansas. The ticket was for air travel from Denver, Colorado, to Kansas City, Kansas, and was valued at \$536. According to Gift Shop personnel, purchases of about \$250,000 resulted from the trip to Gear For Sports. On January 11, 1995, the same buyer accepted and used a commercial airline ticket purchased by Champion of Winston Salem, North Carolina. The ticket was for air travel from Denver, Colorado, to Winston Salem, North Carolina, and was valued at \$1,075. As of May 9, 1995, the Academy's Staff Judge Advocate had not provided a legal opinion concerning the Champion contract.

As of May 9, 1995, the Gift Shop manager and the Gift Shop buyer had not received ethics training, although they had both been working for the Athletic Association since November 1994. Further, the Athletic Association had not identified any ethics training requirements for those individuals. According to the Academy Ethics Officer, new employees are required to receive ethics training within 30 days after the employee starts work and annually thereafter.

### **Mail Order Catalog**

The Athletic Association publishes and distributes a mail order catalog. The total cost for the mail order catalog for the first 6 months of school year 1994 through 1995 was \$74,782. However, DoD guidance prohibits distribution of a mail order catalog. DoD Instruction 1015.2, "Operational Policies for Morale, Welfare and Recreation," May 17, 1985, states that mailing of material promoting the sale of products or services is authorized only to patrons who voluntarily have requested to receive such advertising information. The Instruction also states that mail order catalogs "will not be mailed under any circumstances." Additionally, the Athletic Association did not send the catalogs to individuals who had voluntarily requested the advertising materials. Instead, the Athletic Association sent the catalog to individuals on mailing lists derived from private sources. As a result, the Athletic Association spent about \$74,782 in direct conflict with DoD Instruction 1015.2 in publishing and mailing costs for the mail order catalog.

### **Individual Service Contracts**

The Athletic Association had 54 individual service contracts (ISCs), totaling \$220,366 on file for school years 1993 through 1994 and 1994 through 1995

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(ending March 25, 1995). Air Force Manual 64-302 states that ISCs are used to contract with a specific individual for services that require unique skills, experience, or knowledge. Air Force Manual 64-302 also states that an ISC should pertain to only the individual who performs the unique service required and that competition for ISCs should be obtained whenever practicable, unless sole-source purchasing is justified and documented or the total amount of the contract is expected to be \$2,500 or less.

Of the 54 ISCs, 9 contained more than 1 individual's name and provided a variety of services costing about \$130,000. Several ISCs listed services provided by more than 20 people on the same contract, and 1 contract listed more than 150 people. Additionally, the statements of work for many ISCs were so general that we could not determine whether the individuals identified on the ISCs performed services in accordance with the contracts. We also identified that 11 ISCs, totaling \$73,996, were awarded without competition, but did not contain sole-source justifications. Last, five foreign nationals were hired as instructors on ISCs for the 1993 and 1994 Sports Camps. The foreign nationals were soccer instructors for the Sports Camps and were paid about \$6,600. The Athletic Association personnel failed to verify whether the five employees were entitled to work in the United States as required by the Immigration Reform and Control Act of 1986 (United States Code, title 8, section 1324a).

### **Nonappropriated Contract Personnel**

**Athletic Association Personal Service Contracts.** According to the Secretary of the Air Force Action Memorandum (Appendix E), the Athletic Association was authorized to issue personal service contracts to obtain coaches and staff for two specific intercollegiate sports programs (that is, football and basketball) and for the Directors of Promotions and Development. As of May 9, 1995, the Athletic Association had a total of 32 personal service contracts: 15 football-related contracts (included 2 secretaries), 4 basketball-related contracts (included 1 secretary), 9 other intercollegiate sports-related contracts, and 4 miscellaneous contracts.

The Athletic Association's contracted personnel were not considered employees of the Athletic Association, the Academy, or the Federal Government. The Athletic Association personal services contracts specifically state that "... the contract is not a United States Government contract, is not binding upon the Government of the United States or the property thereof, but is exclusively an obligation between [contractee] and the Association, a nonappropriated fund activity of the Department of the Air Force." Additionally, the personal services contracts state that the contractee will follow the established policies and procedures of the Air Force, the Academy, and the Athletic Department. However, the Athletic Association does not distinguish between duties and responsibilities of contract personnel and those of Athletic Association employees.

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**Federal Insurance Contribution Act Payments.** In Air Force Audit Agency Report 110-902, "Management of the Association," November 21, 1988, the Air Force Audit Agency identified tax accounting for individual service contractors as an area of concern. The audit report states that the Athletic Association was inconsistent in its tax treatment of individual service contractors in that it treated contract employees as Government employees by withholding taxes, paying the employer's share of Federal Insurance Contribution Act (FICA) contributions, and issuing Internal Revenue Service Forms W-2. The Air Force Audit Agency recommended that the Athletic Association request a determination on the employment status for contract employees from the Internal Revenue Service and that it discontinue withholding taxes, paying the employer's share of FICA, and issuing W-2 Forms. The Athletic Association concurred in principle with the report and agreed that an official determination was needed for contract employees. However, rather than have the Internal Revenue Service make the determination, the Academy's Staff Judge Advocate provided an opinion on contract personnel and the deduction of withholding taxes. The Staff Judge Advocate stated that for tax purposes, the coaches should be treated as Government employees. Based on the Staff Judge Advocate's legal opinion, the Athletic Association determined that it satisfied the Air Force Audit Agency recommendation.

As of May 9, 1995, a determination on the employment status of contract personnel had still not been requested from the Internal Revenue Service, the Nonappropriated Fund Financial Management Branch was still deducting withholding taxes and issuing W-2 Forms for contract personnel, and the Athletic Association was still paying the employer's share of FICA taxes for 30 of its 32 contract personnel. Personal services contracts do not require that the Athletic Association provide accounting services for contract personnel. As a result, the Athletic Association made FICA contributions on behalf of contract employees totaling about \$132,360 for school year 1994 through 1995 (ending March 25, 1995).

**Contracting Authority for Contract Personnel.** Officials of the Athletic Association stated that no additional contracts or addendums to personal services contracts authorized the contractee to obligate nonappropriated funds. As a contractee to the Athletic Association, the contractee cannot be granted the authority to obligate appropriated funds. Specifically, the Athletic Association personal services contracts state:

... in the absence of specific written authorization independent of this contract, ... [contractee] ... shall not be, nor shall [he/she] act as the agent of the Association, and [he/she] shall have no authority to bind the Association on any contract for the procurement of [the] equipment or services, or any authority to obligate the Association, its funds, officers, or members on any matter with any person. Any unauthorized representation of authority by [contractee] causing third parties to rely thereon shall be, if any obligation results, solely the obligation of the coach in his individual capacity and not the obligation of the Association.

Contract personnel, specifically head coaches, were influencing the expenditure of appropriated and nonappropriated funds. As independent contractors to the Athletic Association, the Athletic Association gave head coaches the authority to



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engage in commercial product endorsement contracts. In commercial product endorsement contracts, the coaches agreed that the coaching staff and team would wear a product. The coaches then identified the same product as an equipment or clothing requirement for the coaching staff and team. In return, the coach received benefits, ranging from cash to merchandise credit.

For example, one head coach had established a contract with Reebok International Limited. The Reebok contract period was from March 18, 1994, to March 17, 1995. The product endorsement contract between the head coach and Reebok states that:

Coach agrees to purchase Company footwear for the Team and Staff use in accordance with Company's [Reebok's] Team Sales programs under which Company [Reebok] agrees to provide Coach with one (1) pair of shoes at no cost for every two (2) pair(s) of shoes purchased for Team use.

In an amendment to the contract, the paragraph was changed to state, "Coach agrees to use his best efforts to purchase Company footwear . . . ." because the head coach could not obligate appropriated funding.

For the 1994 through 1995 season, the head coach determined that Reebok shoes would be the footwear for the team and staff. As a result, on July 1, 1994, the Directorate of Athletics requested the sole-source purchase of Reebok footwear for the team. In FY 1994, the Academy purchased 482 pairs of Reebok shoes for the team at a cost of \$18,873, and, in October 1994, contracted for an additional 248 pairs of shoes for \$9,200.

The terms of the product endorsement contract state as part of the "positive performance incentives" or media coverage that Reebok will pay the head coach. For example, Reebok will pay \$25,000 to the head coach for a National Champion in Division I; \$2,500 for a picture of the Reebok shoe with logo on the *Sports Illustrated* cover; or \$1,500 for a victory over a Top Ten Division One Team.

Additionally, Reebok agreed to provide the head coach, at no charge:

(i) such Endorsed Goods as Coach shall reasonably request and require, up to an aggregate retail value . . . and (ii) such running shoes as Coach shall reasonably request and require up to an aggregate retail value of . . . . Endorsed Goods supplied . . . shall be used by Coach, Staff and/or Team at Coach's sole discretion.

The head coach distributed the line of credit among representatives of the staff, the Athletic Association, and the Athletic Department. Specifically, the Director of the Athletic Department received a credit, and the Business Manager received a credit.

Under Public Law 103-337, section 556, October 5, 1994, the Superintendent of the Academy is charged with administering a nonappropriated fund account for the athletic program of the Academy. The Superintendent is also required to credit the nonappropriated account with all revenues received from the conduct of the athletics program of the Academy and all contributions received for that

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program. Based on Public Law 103-337, the income received or revenue generated as a result of any association with the Academy's athletic program by the Athletic Department's coaching staff (to include contract coaches) should also have been credited to the nonappropriated account. As of May 9, 1995, the Academy had not collected the cash or merchandise received from product endorsement contracts.

### **Summary**

Because of the Athletic Association's broad interpretation of the Secretary of the Air Force Action Memorandum, operating procedures at the Athletic Association are not in compliance with existing statutory, DoD, and Air Force guidance. The Athletic Association believes its operations are unique and do not fall within established DoD and Air Force procurement guidelines. Although the Athletic Association is a unique operation, it remains a nonappropriated fund instrumentality and must follow the existing guidelines.

### **Recommendations, Management Comments, and Audit Responses**

**A. We recommend that the Superintendent, United States Air Force Academy:**

1. Request a revalidation and clarification from the Secretary of the Air Force of the April 14, 1987, Secretary of Air Force Action Memorandum to specify the Federal, DoD, and Air Force guidance from which the Athletic Association is exempt.

**Management Comments.** The Air Force concurred and stated that the Secretary of the Air Force signed a new memorandum on November 16, 1995, prescribing the policies governing the operation of the Athletic Association.

**Audit Response.** Although the Air Force provided a new Air Force Academy Athletic Association Action Memorandum, this Action Memorandum does not conform to DoD policies and procedures. The November 16, 1995, Action Memorandum identifies the Athletic Association as a Supplemental Mission Support Nonappropriated Fund Instrumentality and not a Morale, Welfare, and Recreation activity based on the unique direct support provided to the Academy's athletic mission. However, DoD Directive 1015.1, "Establishment, Management, and Control of Nonappropriated Fund Instrumentalities," defines a Nonappropriated Fund Instrumentality as an integral DoD organizational entity that performs an essential Government function, acting in its own name, to provide or assist other DoD organizations in providing Morale, Welfare, and Recreation programs for military personnel and authorized civilians. The

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Directive further identifies eight Nonappropriated Fund Instrumentality classifications. Classification VIII, Supplemental Mission Support Nonappropriated Fund Instrumentality, includes all Nonappropriated Fund Instrumentalities providing Morale, Welfare, and Recreation services as adjuncts to training, health, billeting, or other mission support programs, and specifically identifies the types of Morale, Welfare, and Recreation activities to include the "Athletic Association Supplemental Mission Fund."

The November 16, 1995, Action Memorandum also makes numerous references to the limitations that Air Force policies place on the Association; however, the waivers attached to the November 16, 1995, Action Memorandum only address three specific Air Force Instructions, but authorizes waivers to any Air Force Directive that is contrary to the provisions of the Athletic Association. Based on this, one could conclude that neither the Air Force nor the Athletic Association is fully aware of existing Air Force Directives that effect the Athletic Association or the true limitations that Air Force Directives have on the Athletic Association's operations. Further, during our audit, the Athletic Association could not demonstrate how Air Force Directives were limiting its operations.

In addition, the November 16, 1995, Action Memorandum details specific waivers to Air Force Directives regarding procurement, public relations, insurance, personal service contracts, and fundraising. For procurement, the Waiver allows the Superintendent to waive those provisions of the Air Force nonappropriated fund contracting directive that prevent the Athletic Association from operating in a manner consistent with acceptable intercollegiate athletic practices. Notwithstanding any such waiver, all Association contract actions shall comply with the policies and practices of the National Collegiate Athletic Association and with all applicable nonwaived Federal directives. The Air Force Nonappropriated Fund Purchasing Office is responsible for Air Force Instruction 64-301 and Air Force Manual 64-302, "Nonappropriated Fund Contracting," October 21, 1994, and is also responsible for the issuance and maintenance of Nonappropriated Fund contracting warrants. Within the identified guidance, mandatory nonappropriated fund requirements are required to be met for any nonappropriated fund purchase. Further, the nonappropriated fund contracting policies state that the procedures identified are mandatory unless stated otherwise and that waiver requests are to be processed through command channels to Air Force Nonappropriated Fund Purchasing Office for submittal to the Secretary of the Air Force (Acquisition Contracting Office). As a result, the Superintendent does not have the authority to waive Air Force Nonappropriated Fund Contracting Directive or Federal directives.

For public relations, the Waiver states that any Air Force Directive that prohibits the Athletic Association from conducting public relations similar to other intercollegiate athletics and policies and practices of the National Collegiate Athletic Association was hereby waived. However, during our audit, the Academy failed to demonstrate how the existing Air Force policies hamper the public relations functions required by the Association. Additionally, as a Morale, Welfare, and Recreation function, the Association would be required to follow existing DoD guidance. For example, a May 19, 1992, Memorandum for the Deputy Assistant Secretary of Defense (Personnel Support, Families and

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Education) provides specific guidelines for establishing Commercial Sponsorship. Our audit showed that the Association was not only unaware of existing Air Force policy, but also DoD policy concerning commercial sponsorship. In addition, we found that the Association directly violated both DoD and Air Force guidance in soliciting alcohol producers to sponsor the Air Force Academy Athletic Program.

As a result, we request that the Air Force reconsider its position and submit additional comments in response to the final report.

**2. Establish policies and procedures for procurement actions for the Athletic Association in accordance with DoD Instruction 4105.67, "Nonappropriated Fund Procurement Policy," October 2, 1981.**

**3. Revise the Athletic Department Operating Instruction 176-5, "Procurement of Supplies, Equipment Services," January 6, 1995, to comply with the policies and procedures for procurement action in applicable DoD regulations.**

**4. Establish policies and procedures to prohibit the Athletic Association personnel, including contract personnel, from obligating or committing the funds of the Athletic Association.**

**Management Comments.** The Air Force concurred and stated that Athletic Department Operating Instruction 176-5 had been rescinded, that the 10th Services Squadron had assumed procurement operations for the Athletic Department, and that a policy letter had been issued requiring all procurements to be processed through the Athletic Department Comptroller's Office.

**5. Eliminate the contracting capability in the Athletic Association.**

**a. Realign positions US04708 and US04543 to the 10th Logistics Contracting Office.**

**b. Revoke the contracting warrant authorization from the Athletic Association in positions US04708 and US04543.**

**Management Comments.** The Air Force neither concurred nor nonconcurred but stated that the contracting capability had been removed from the Athletic Association and realigned under the Nonappropriated Fund Accounting Office. The Air Force added that the Nonappropriated Fund Accounting Office would handle procurements and the 10th Logistics Contracting Office would process only purchases more than \$2,500.

**Audit Response.** The realignment of positions US04708 and US04543 to an organization outside the Athletic Association and Athletic Department satisfies the intent of Recommendation 5.a. However, the Air Force did not comment on Recommendation 5.b., revoking the contracting warrant authorization from positions US04708 and US04543. The personnel in positions US04708 and US04543 have demonstrated a willingness to violate established DoD and Air Force policies and procedures and knowingly exceeded their contracting

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authority. Therefore, we request that the Air Force provide its position on Recommendation 5.b. and corrective actions taken or planned in response to the final report.

**6. Perform an annual oversight review of the Athletic Association in coordination with the Nonappropriated Fund Financial Analysis Branch, Financial Management and Comptroller, and the 10th Air Base Wing and establish a tracking program to ensure identified problems are corrected.**

**Management Comments.** The Air Force concurred and stated that the 10th Air Base Wing would establish a comprehensive program to conduct oversight visits of the Air Force Academy Athletic Association by November 30, 1995, to ensure compliance with applicable policies and procedures.

**7. Discontinue lodging the football team at local hotels before home football games and stop providing meal allowances to football players when meals are provided during home football games.**

**Management Comments.** The Air Force nonconcurred and stated that lodging the football team at local hotels was consistent with common National Collegiate Athletic Association policy and practice and deemed to be in the best interest of the football program and the athletes. However, the Air Force did concur that athletes should not be provided meal allowances when meals were provided and stated that this practice had been terminated.

**Audit Response.** Although the National Collegiate Athletic Association allows lodging athletic teams in local hotels before home games, the Air Force Academy is a Government institution funded by the tax payers and should exercise fiscal responsibilities above private university practices. Further, the Air Force Academy, a state-of-the-art institution with facilities that are adequate for its mission, does not implement the same common practice of lodging its other intercollegiate athletic teams at local hotels before home games. Therefore, we request that the Air Force reconsider its position and submit additional comments on the final report.

**8. Complete a supplement for Air Force Instruction 65-106, "Appropriated Fund Support of Morale, Welfare, and Recreation, and Nonappropriated Funds Instrumentalities," October 28, 1994, that identifies each activity of the Athletic Association as category A, B, or C; identifies funding sources; and describes the relationship of the Athletic Association to the mission of the United States Air Force Academy.**

**Management Comments.** The Air Force concurred and stated that the draft supplement had been completed and submitted to the Office of the Assistant Secretary of the Air Force (Financial Management and Comptroller).

**Audit Response.** We request that the Air Force provide the final supplement to Air Force Instruction 65-106 when available.

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**9. Determine whether the Athletic Association must reimburse the United States Air Force Academy (including the 10th Logistics Group and the 34th Training Wing) based on identifying each activity in the Athletic Association as category A, B, or C as required in Recommendation 8.**

**Management Comments.** The Air Force concurred and stated that the determination should be completed by December 1, 1995, after finalization of the United States Air Force Academy supplement to Air Force Instruction 65-106.

**10. Evaluate the pay status of civil service coaches in relation to the preestablished conditions of their employment and place them in the correct pay status when attending Sports Camps.**

**Management Comments.** The Air Force neither concurred nor nonconcurred but stated that the Academy's Directorate of Civilian Personnel had evaluated the utilization of civil service coaches and had determined that the current use of seasonal hires was appropriate.

**Audit Response.** Our audit analysis showed that the work involved in coaching and recruiting by the civil service coaches was similar to that required by the coaches for the Sports Camps. The Sports Camp coaches used the Sports Camps as an initial element for determining future recruiting prospects to the Academy and ran the Sports Camps similar to the training drills used for the intercollegiate sports teams. The only differences in the two programs were the age ranges in the Sports Camps compared to those of the Cadets and the level of intensity of the drills performed. We also found no consistency in determining which civilian personnel coaches would be seasonal and which would not be seasonal. As a result, we request that the Air Force reconsider its position and submit additional comments, addressing the methodology and analysis used, in response to the final report.

**11. Establish procedures to require that all licensing agreements be coordinated through the Athletic Association Business Office; to record issued licensing agreements; to collect usage fees in accordance with Air Force Instruction 32-9003, "Granting Temporary Use of Air Force Real Property," July 22, 1994; and to collect utility charges in compliance with Air Force Instruction 32-1061, "Providing Utilities to Air Force Installations," June 14, 1994.**

**Management Comments.** The Air Force concurred and stated procedures are in an October 10, 1995, Athletic Department Policy Letter.

**12. Transfer collected utility charges from the Athletic Association account to the United States Air Force Academy Operation and Maintenance Account.**

**Management Comments.** The Air Force concurred and stated that an analysis to determine the amount to be transferred to the Operation and Maintenance accounts had been completed and funds would be transferred as they are collected.

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**13. Direct that personnel in the Athletic Association Gift Shop request advance approval for overtime and have time cards approved by the authorized approval authority in compliance with Air Force Manual 177-372A, volume II, "Time and Attendance Reporting Civilian Pay System," July 1992, and Nonappropriated Funds Personnel System Program Action Directive, April 14, 1991.**

**Management Comments.** The Air Force concurred and stated that all Athletic Department personnel are required to request overtime in advance to the maximum extent possible and that all time cards must be approved in accordance with Air Force regulations. The Air Force added that all timekeepers and supervisors had been trained on proper procedures.

**14. Expand the United States Air Force Academy ethics training program to include all nonappropriated fund employees, which includes employees of the Athletic Association.**

**Management Comments.** The Air Force concurred and stated that ethics training now included nonappropriated fund employees and that training had been provided to all appropriate Athletic Association personnel.

**15. Report the ethics violations the Athletic Association Gift Shop buyer committed to the United States Air Force Academy Senior Ethics Officer for corrective action.**

**Management Comments.** The Air Force concurred and stated that the United States Air Force Academy Senior Ethics Officer had determined that a technical violation had occurred and that the corrective action should be to provide training to the violator. This training was completed on July 13, 1995.

**16. Discontinue the Athletic Association Gift Shop mail order catalog and prohibit the issuance of future catalogs in accordance with DoD Instruction 1015.2, "Operational Policies for Morale, Welfare and Recreation," May 17, 1985.**

**Management Comments.** The Air Force nonconcurred and stated that the Air Force Academy Athletic Association was not a Morale, Welfare, and Recreation activity and, therefore, not subject to the limitation of Morale, Welfare, and Recreation activities.

**Audit Response.** Air Force Instruction 34-201, applying to all Air Force Nonappropriated Fund Instrumentalities, incorporates the provisions of DoD Instruction 1015.2 in its paragraph 9.4. Paragraph 9.4.2.2. specifically prohibits mail order catalogs under any circumstances. As that language mirrors that of DoD Instruction 1015.2, it would not appear that the Secretary of the Air Force could waive the preclusion. Accordingly, we continue to maintain that issuing and mailing the Athletic Association Gift Shop mail order catalog is in direct violation of DoD guidance. We request that the Air Force reconsider its position and submit additional comments on the final report.

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**17. Establish policies and procedures for contracting for individual services in accordance with Air Force Manual 64-302, "Nonappropriated Contracting," October 21, 1994.**

**Management Comments.** The Air Force concurred and stated that the responsibility for contracting for individual service had been realigned under the Nonappropriated Fund Accounting Office and that contracts were being issued in accordance with Air Force Manual 64-302.

**18. Request a determination on the employment status for contract employees from the Internal Revenue Service and immediately discontinue withholding taxes, paying the employer's share of Federal Insurance Contribution Act contributions, and issuing Internal Revenue Service Forms W-2 until the determination is received.**

**Management Comments.** The Air Force nonconcurred, stating the Athletic Department contacted the Internal Revenue Service in August 1995 and was informed that, in accordance with Internal Revenue Service Publication 937, the Athletic Association's contracted personnel were to be considered employees for tax purposes and taxes should be withheld along with the employer's share of Federal Insurance Contribution Act contributions.

**Audit Response.** After review of Internal Revenue Service Publication 937, we agree that Athletic Association contracted personnel should be considered employees.

**19. Prohibit contract personnel from committing appropriated and nonappropriated funds; establish procedures to credit the Athletic Association nonappropriated account for the revenues or merchandise received from product endorsement contracts in accordance with Public Law 103-337, section 556, October 5, 1994; and collect the revenues improperly distributed to contract personnel and deposit them in the Athletic Association nonappropriated account.**

**Management Comments.** The Air Force concurred and stated that all coaches' contracts stipulated and Athletic Department policy reiterated that they were prohibited from committing or obligating funds. However, the Air Force nonconcurred regarding the establishment of procedures to credit the Athletic Association nonappropriated account for the revenues or merchandise received from product endorsement contracts. The United States Air Force Academy Staff Judge Advocate had rendered a legal opinion that the coach, not the athletic programs, generated funds from endorsement contracts. Therefore, the funds should not be deposited in the Athletic Association account.

**Audit Response.** We continue to believe that an appearance problem is created when a coach (conceded by the Air Force to be an employee for many purposes), is paid by a vendor for their efforts in influencing the purchase of that vendor's product with appropriated funds. Clearly the contracting officer could not accept money from a vendor to ensure that its product was picked over a competitor's. Allowing a coach to accept endorsement monies based upon their ability to influence the conduct of a Government procurement is not



## **Finding A. Athletic Association Operation and Management Procedures**

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too far removed from the contracting officer situation. If there is a need to provide some sort of additional economic incentive to attract quality coaches, perhaps the personal services contracts could contain alternative incentives (for example, a bonus for a winning season). We also maintain that any income resulting from the participation or appearance of the intercollegiate athletic team should be credited to a nonappropriated fund account per Public Law 103-337, section 556. For example, a Product Endorsement Contract states, "in the event (the) Team achieves the following performance levels or media coverage during any single Contract Year, then (the) Company shall pay to (the) Coach. . . ." The performance awards provided under the terms of the endorsement contract are directly related to the success of the athletic team and can range from \$1,500 to \$25,000. Therefore, we request that the Air Force reconsider its position and submit additional comments on the final report.

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## **Finding B. Civil Engineering Military Requirements**

The Academy incorrectly designated about 150 civil engineering positions in the 10th Civil Engineering Squadron as military-unique. Although the duties and responsibilities of the positions are essential, the duties could be accomplished more cost-effectively either by using civilians or contracting for the services. The military classification is not needed because the Air Force has not tasked the Academy to meet a wartime requirement using its Prime Base Engineer Emergency Force (BEEF) civil engineering units under the two major regional conflicts scenario. By eliminating the 150 military positions, the Air Force could reassign personnel to more essential functions within the Air Force without adversely affecting the mission of the Academy.

### **Background**

The 10th Civil Engineering Squadron is responsible for overseeing the maintenance and operations of the physical plants and facilities of the Academy and for managing environmental resources located at the Academy. Specific activities that the 10th Civil Engineering Squadron is responsible for include management of Academy real property; provision of utilities; maintenance and repair of structures and equipment; provision of custodial, sanitation, and entomological services; fire protection and rescue; and facilities damage recovery. The 10th Civil Engineering Squadron also provides personnel to support the Air Force worldwide Prime BEEF civil engineering mission.

### **The Purpose of Prime BEEF Teams**

Air Force Instruction 10-210, "Prime Base Engineer Emergency Force Program," April 6, 1994, states that the main purpose of the Prime BEEF Program is to develop and maintain a highly skilled, mobile military combat-support civil engineering force capable of rapid response in support of worldwide contingency operations. The Prime BEEF Program was designed to organize, train, and equip all base civil engineering civilian and military personnel to meet planned and impromptu contingency taskings and to support other unit-specific readiness requirements. Each major command within the Air Force postured Prime BEEF military forces at bases for worldwide deployment using mobility unit type codes that concentrated primarily on supporting aircraft and combat operations. The mobility unit type code concept grouped Air Force weapon systems and their support forces into discrete deployment packages. Mobility units contain the essential combat, combat support, and combat services support functions necessary to deploy and fight at

## **Finding B. Civil Engineering Military Requirements**

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a variety of operating locations in a regional conflict. The extensive contingency training program of Prime BEEF teams includes basewide chemical warfare defense, shelter management, decontamination, and disaster control.

In the cold war era, civil engineering Prime BEEF teams were composed of two elements: a 100-person civil engineer team and a 12-person fire fighting team. In the late 1980s, the Academy identified the capability to support one Prime BEEF team for direct contingency support of the Air Force mission worldwide. Although the Academy identified the capability, the Academy received neither a wartime tasking nor a contingency tasking from Headquarters, Air Force.

### **Wartime Planning Effects on Civil Engineering**

**Higher Priorities for the Academy Prime BEEF Teams.** In 1990, the then Chief of Staff of the Academy was concerned that reporting all available resources for mobility purposes degraded mission elements at the Academy, to include the 10th Civil Engineering Squadron's Prime BEEF operation. The Chief of Staff recommended that mission elements do a thorough review and reduce mobility commitments if necessary. As a result of the review, the Academy decided to dissolve the Prime BEEF capability because the Academy's civil engineering organization had responsibilities considered too important to divert assets to assist in military operations. However, the Prime BEEF dissolution was not implemented. In 1993, the Commander of the 10th Civil Engineering Squadron began aggressively pursuing a wartime tasking for the Prime BEEF teams. Nonetheless, as of May 9, 1995, the Academy's Prime BEEF teams had never deployed in support of a contingency or wartime operation.

**Two Major Regional Conflicts.** The DoD Report on the Bottom-Up Review, October 1993, states that it was prudent to maintain sufficient military power to be able to win two nearly simultaneous major regional conflicts. The Defense Planning Guidance, FY 1996-2001, May 23, 1994, defines a major regional conflict as "having an aggressor launch a short-notice, armor heavy, combined arms offensive against the outnumbered forces of a neighboring state." The force structure of the Military Departments is being configured to satisfy the rapid deployment requirement needed to meet the two major regional conflicts scenario. In response to that scenario, the Air Force Civil Engineers reconfigured the Prime BEEF teams.

**Wartime and Contingency Tasking.** The Air Force Force-Sizing Document, November 1994, identified that the Academy had two Prime BEEF Follow unit type codes available for tasking. Although the Academy's two Prime BEEF Follow teams are identified in the Air Force Force-Sizing Document, as of May 9, 1995, the Academy had not been tasked to meet a wartime assignment under the two major regional conflicts scenario.

## **Reconfiguration of Prime BEEF Teams**

**Reconfiguration.** Based on the two major regional conflicts concept and the deployment requirement to support two nearly simultaneous conflicts, the civil engineering community had to reconfigure its Prime BEEF team structures. As a result, the civil engineering community developed two core teams for the Prime BEEF mission: lead teams and follow teams.

**Lead Teams.** A Prime BEEF lead team consists of 132 personnel (104 engineers, 24 firefighters, and 4 disaster preparedness personnel). The lead teams are designed to provide initial arrival of aircraft, fire and crash rescue, disaster preparedness, and operation and maintenance support for one squadron of tactical or strategic aircraft and a population of as many as 1,200 personnel as they transition to war. Lead teams are also capable of limited base recovery operations, if involved in wartime operations.

**Follow Teams.** A Prime BEEF follow team consists of 61 personnel (46 engineers, 12 firefighters, and 3 disaster preparedness personnel). The follow teams are designed to augment the lead team. The follow teams are capable of providing limited arrival of aircraft, fire and crash rescue, operation and maintenance, and limited base recovery support for smaller numbers of aircraft, operations, and base populations. The Academy determined that two follow teams could be available.

**Personnel Requirements for Prime BEEF Follow Teams.** In a March 31, 1994, message sent to Plans and Operations, Headquarters, Air Force, the Academy stated that two 61-person Prime BEEF follow teams were available to support the "1994 Force-Sizing Exercise." As of May 9, 1995, the 10th Civil Engineering Squadron had 150 military personnel assigned to it. However, only 89 of the 150 military personnel had the primary Air Force speciality code and 28 military personnel had an approved substitute Air Force speciality code needed for a Prime BEEF follow team. The remaining five Air Force speciality requirements for the Prime BEEF follow teams would have to be filled by personnel with those specialty codes from either another base or from the Air Force Reserve. The Academy has no requirement for the remaining five speciality codes because the Academy does not have an active runway. Therefore, the Academy could never fill the 12 positions needed for the 2 Prime BEEF follow teams.

**Equipment Requirements for Prime BEEF Follow Teams.** Under the Prime BEEF follow team concept, the Academy needed an additional \$30,000 worth of equipment to fully equip the two follow teams. For example, the Prime BEEF equipment inventory has no pallets, which are required for the movement of forces and their associated equipment. As a result, the 10th ABW Commander approved the requisition of the equipment in February 1995. As of May 9, 1995, however, the equipment for the two follow teams was not in place.

## **Reduction of Military Positions in Civil Engineering Units**

In response to the military draw down, the Air Force reduced the number of civil engineering organizations. Although the military authorizations were reduced, the duties and responsibilities for civil engineering on Air Force bases remained the same. As a result, the Air Force reassigned many civil engineering functions and responsibilities to civilian positions. The Air Force bases that are either noncombatant commands or supporting bases and that do not have a wartime tasking are most affected by the reduction in military personnel. The Academy is a noncombatant command. The Air Force civil engineering community was considering the feasibility of contracting out civil engineering duties at noncombatant commands, but the process needs to be unilateral in all base operations support functions. As of May 9, 1995, the other functional organizations (for example, logistics) had not agreed to contract for the services.

## **Summary**

Under the two major regional conflicts scenario, the Academy's Prime BEEF follow teams have not been tasked to satisfy a wartime requirement. Also, the Academy does not have the military personnel from the 10th Civil Engineering Squadron with the specialty codes needed to support two Prime BEEF follow teams. The 10th Civil Engineering Squadron positions require no military-unique skill or expertise once the mobility requirements are eliminated. The duties and responsibilities of those military positions could be performed by civilians or contract personnel, whichever proves to be the most cost-effective for the Air Force. Converting or contracting out the positions would not adversely affect the mission of either the Academy or the 10th Civil Engineering Squadron. These military personnel could be reassigned to fill existing shortages in the Active Air Force.

## **Recommendations, Management Comments, and Audit Response**

**B. We recommend that the Superintendent, United States Air Force Academy:**

- 1. Eliminate the availability for the two Prime Base Engineer Emergency Force follow teams at the United States Air Force Academy for future Air Force wartime requirements.**

## **Finding B. Civil Engineering Military Requirements**

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**2. Identify and reclassify the 150 civil engineering military positions as civilian positions on the United States Air Force Academy's Unit Manpower Document and obtain equivalent increased civilian end-strength authorizations and civilian payroll authority for the reclassifications.**

**3. Determine the feasibility of contracting out elements of the United States Air Force Academy civil engineering operations.**

**Management Comments.** The Air Force nonconcurred and stated that the Academy's two Prime Base Engineer Emergency Force follow teams are a resource available and identified for contingencies and that one of the two teams has been sourced in a theater operation plan. The Air Force further stated that the teams were required because the force projection major commands could not posture the number of teams required to meet their own requirements. The need for the Academy's teams was based on overall Air Force mobility requirements and not on whether they are tasked in the new series of theater operation plans.

**Audit Response.** Although the Air Force stated that the Academy's two Prime Base Engineer Emergency Force follow teams are available and identified for contingencies and one team has already been sourced in a theater operation plan, the Air Force did not identify the specific theater operation plan or provide the assignment tasker. Since the establishment of the Academy's Prime Base Engineer Emergency Force teams in the late 1980s, no team has deployed from the Academy in support of a contingency or peacekeeping operation. Further, while the Air Force states that the teams are required because the force projection major commands cannot posture the number of teams required to meet their requirements, the intent of the recommendations is to reassign the Academy's military engineers to the force projection commands and replace them with civilians or contract personnel. Placing these military engineers at the force projection commands will improve both the readiness of the commands and of the personnel without adversely affecting the mission of the Academy. Therefore, we request that the Air Force reconsider its position and submit additional comments on the final report.

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## **Finding C. Realignment and Consolidation of Duplicative Functions**

The Academy was authorized 8 military and 25 civilian positions that were not essential for the accomplishment of its mission or for the maintenance of the quality of life of the Cadet Wing. Also, the Academy designated three positions as military-unique, although civilians could accomplish the duties and responsibilities of those positions more cost-effectively. These conditions occurred because the Academy had duplicative organizations responsible for maintaining and operating the functions of automated data processing; morale, welfare, and recreation services; and supply. The realignment and consolidation of functional areas and elimination of duplicate positions would result in economies and efficiencies at the Academy. Additionally, funds could be put to better use during the execution of the FYs 1996 through 2001 Future Years Defense Program.

### **Duplication of Functions**

Preliminary audit work identified a duplication of effort at the Academy in the following areas:

- o the 10th Communications Squadron and the Office of the Dean of Faculty provided computer functions and services;

- o the 10th Services Squadron and the 34th Cadet Activities Squadron provided morale, welfare, and recreation services; and

- o the 10th Logistics Group and the 34th Logistics Squadron provided logistics services.

As a result of the preliminary survey work, the Superintendent of the Academy developed process action teams to determine whether the functions could be consolidated or realigned. The Academy took the lead with its process action teams for the computer functions and morale, welfare, and recreation services. The Inspector General, DoD, audit team took the lead on the logistics functions and services. Although the Directorate of Plans and Programs and the 34th Food Service Squadron were part of the initial audit survey work, those two organizations wanted to review their own organizations to determine economies and efficiencies. We agreed to review the results of their organizational reviews.

## Finding C. Realignment and Consolidation of Duplicative Functions

### Consolidation of Computer Functions

**Planning the Consolidation.** The computer process action team planned to consolidate the computer functions performed by the Office of the Dean of Faculty and the 10th Communications Squadron. The objective of the computer process action team was to reduce staffing, realize economies and efficiencies, eliminate duplication, and maintain quality service.

Both the audit team and the computer process action team determined that hardware and software requirements could be reduced, which could result in benefits of \$10,000. We also determined that by eliminating four military positions (Table 2), benefits of \$1.1 million could be realized over the FYs 1996 through 2001 Future Years Defense Program.

**Table 2. Military Positions Identified to be Eliminated**

<u>Number Eliminated</u>	<u>Military Rank</u>	<u>Annual Salary</u>
3	Airmen First Class	\$ 26,176
1	Lieutenant Colonel	101,367

In addition, the full consolidation will eliminate six more military positions.

**Implementing the Consolidation.** On March 22, 1995, the Superintendent of the Academy approved consolidating computer functions under the 10th Communications Squadron. The full consolidation would eliminate duplicative functions; ensure compliance with the Air Force Objective Wing Concept; simplify support provided to cadet and Academy personnel; facilitate standardization of training, help desks, and network support; and eliminate from 4 to 10 positions.

The Academy implemented the consolidation in April 1995 and planned to complete it by August 1995. We agreed with the Superintendent's decision to realign and consolidate the computer functions of the Office of the Dean of Faculty and 10th Communications Squadron. Available documentation on the consolidation did not support the requirement to realign 4 to 10 positions to other Academy unfunded manpower requirements.

### Consolidation of Morale, Welfare, and Recreation Services

**Planning the Consolidation.** The mission of the morale, welfare, and recreation services community at the Academy, to include both the 10th Services Squadron and the 34th Cadet Activities Squadron, was to contribute to readiness and improve productivity through programs promoting



### Finding C. Realignment and Consolidation of Duplicative Functions

fitness, esprit de corps, and quality of life for Academy personnel. The objective of the services process action team was to consider consolidation of like functions, if the consolidation would result in measurable economies and efficiencies and would enhance customer services or nonappropriated fund revenues, and would not adversely affect the Academy or complicate roles and responsibilities. The like functions that the services process action team identified are shown in Table 3.

**Table 3. Services Functions With Similar Characteristics**

<u>10th Services Squadron</u>	<u>34th Cadet Activities Squadron</u>
Airman's Dining Hall	Mitchell Dining Hall
Outdoor Recreation	Cadet Outdoor Recreation
Information, Tickets, and Tours	Tickets and Tours
Marketing and Training	Marketing
Community Service/Noncommissioned Officers Clubs	Arnold Hall - Operations, Catering, Sports Bar and Ballroom cafeteria
Membership Support and Recreation Support	Theater Programs, Cadet Clubs, Sponsor Program
Other Category "C" Operations	Barber/Beauty Shops, Laundromats, Cadet Media

**Implementing the Realignment of Services Functions.** On April 28, 1995, the Superintendent approved a plan to realign all of the 34th Cadet Activities Squadron's category "C" operations into the 10th Services Squadron. As discussed in Finding A, DoD Directive 1015.6 and Air Force Instruction 65-106 define a category "C" activity as a nonappropriated fund activity that has the highest capacity to generate revenue. A category "C" activity is also capable of funding most of its expenses. The 34th Cadet Activities Squadron will retain those programs directly related to the cadets to include: Mitchell Dining Hall, cadet clubs, media, the sponsorship program, and the theater. Some miscellaneous operations (for example, barber/beauty shops and laundromats) will remain with the 34th Cadet Activities Squadron indefinitely. The Commander of the 10th ABW stated that Mitchell Dining Hall and other miscellaneous operations will be studied further to determine the feasibility of future realignment or consolidation with the 10th Services Squadron. With the realignment, the services process action team determined that four positions (military or civilian) could be eliminated. As of May 9, 1995, the services process action team was developing an implementation plan and time frame and was determining the specific positions. We reviewed and agreed with the Superintendent's recommendation to realign the morale, welfare, and recreation functions and reduce the staffing accordingly. As a result of the positions eliminated in the consolidation of services, the Superintendent intended to realign the positions to other Academy requirements. The Academy provided no justification for those other unfunded manpower requirements.

## **Consolidation of Logistical Functions**

**Academy Logistical Support.** The mission of the 10th Logistics Group is to provide transportation, supply, contracting, and logistic plans and programs support to the Academy, to include providing logistical and supply support to the 34th Training Wing. In 1987, the 10th Logistics Group contracted out the supply services of the Academy. The supply contractor is the central supply point for all organizations at the Academy. The supply contractor is responsible for the day-to-day support responsibilities and requirements at the Academy.

**Cadet Wing Logistical Support.** The mission of the 34th Training Wing Support Group is to provide logistical and services support to the Cadet Wing and to train cadets continually and actively in accountability and responsibility through daily interaction. The logistical support includes distribution of equipment, supplies, and uniforms; dormitory management; furniture repair; and management of the tailor shop and laundry and dry cleaning contracts.

**Consolidating the Supply Functions.** The supply functions in the 10th Logistics Group and the 34th Training Wing Support Group are duplicative. Consolidating the supply functions would not adversely affect the mission of the 34th Training Wing Support Group in meeting the unique supply requirements of the cadets. As a result of the consolidation, six civilian positions at the 34th Training Wing Support Group could be eliminated. Additionally, after the consolidation, the services of the Cadet Issue Branch (an element of the 34th Training Wing Support Group) should be contracted out similar to the 10th Logistics Group's supply contract. The 10th Logistics Group provided a rough estimate of \$307,000 to contract out the supply services of the Cadet Issue Flight, which is about 65 percent of the cost of the Government's current operation for the 34th Cadet Issue Branch.

**Implementing the Consolidation.** The Superintendent approved an action plan for a two-phase implementation of the consolidation of logistical functions. Phase one will consolidate the Cadet Issue Branch and supply functions performed by the 34th Training Wing Support Group under the 10th Logistics Group. Concurrent with the consolidation, the Academy will perform a study to determine "early personnel reductions," which is expected to eliminate up to eight positions (civilian or military) from the two organizations. In phase two, the Academy will consider Office of Management and Budget Circular A-76, "Commercial Activities Study," about 12 to 18 months after the consolidation. The objective of the A-76 study will be to determine whether the cadet supply functions should be contracted out under the 10th Logistics Group supply contract. Initial data suggest additional annual benefits of \$300,000 by expanding the current 10th Logistics Group's supply contract and eliminating supply positions.

## **Consolidation and Realignment of Plans and Programs**

The mission of the Directorate of Plans and Programs is to facilitate Academy command and control through centralized management of Academy policy, plans, and programs in conjunction with current operations. The functional areas within the Directorate of Plans and Programs included the Director, Development and Alumni Programs; Current Operations Division; Policy, Plans, and Programs Division; and Manpower and Organization Division. A total of 31 positions were authorized for the Directorate.

**Results of the Review.** The Directorate of Plans and Programs performed an internal review and determined that functions should be consolidated. The Policy, Plans, and Programs Division will be consolidated into the Current Operations Division. Further, the Current Operations Division's Foreign Exchange Program with its authorizations for one officer and civilian will be realigned to the Office of the Dean of Faculty. Additionally, the Current Operations Division's Program Objective Memorandum, authorized one civilian position, will be realigned to the Directorate of Financial Management. The Directorate of Plans and Programs also identified a civilian position (GS-12) to be deleted in the Manpower and Organization Division.

**Other Initiatives.** The Directorate of Plans and Programs will continue to study Protocol and Public Affairs for potential efficiencies. The Directorate has converted four secretary positions into management assistants to assist in absorbing the work load of positions previously deleted. On May 2, 1995, the Superintendent of the Academy approved the Directorate of Plans and Programs consolidation. The four positions will be realigned at the Academy. We reviewed and agreed with the results of the consolidation and the realignment within the Directorate of Plans and Programs.

## **Food Services Economies and Efficiencies**

The mission of the 34th Food Services Squadron is to provide complete subsistence support to the Cadet Wing. The cadet dining facility, Mitchell Hall, is one of the most advanced and progressive mass dining facilities in the world. The 34th Food Services Squadron has taken numerous in-house initiatives to obtain economies and efficiencies within its operations. For example, the 34th Food Services Squadron closed the meat plant, resulting in benefits of \$200,000 annually. The 34th Food Services Squadron also closed the milk plant, resulting in one-time benefits of \$200,000. Additionally, the 34th Food Services Squadron reduced the supervisor to employee ratio from 1 supervisor for every 7.5 employees to 1 supervisor for every 15 employees. Most recently, the 34th Food Services Squadron reviewed the overall operations of the Mitchell Dining Hall and determined that 20 positions could be eliminated. Monetary benefits related to four positions will be redirected to purchase additional equipment for the 34th Food Services Squadron. The remaining 16 positions would be redistributed to other unfunded staffing requirements at

## **Finding C. Realignment and Consolidation of Duplicative Functions**

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the Academy. We reviewed and concurred with the results of the 34th Food Services Squadron's economy and efficiency initiatives. The Academy did not provide a requirement to realign the 16 positions at the Academy.

### **Services Squadron Position Conversions**

In October 1994, the Defense Commissary Agency transferred the responsibility of troop support and its three military positions to the Academy's 10th Services Squadron. The mission of the 10th Services Squadron is to provide food support to the cadets and other personnel. The personnel assigned to troop support at the 10th Services Squadron perform duties similar to a warehouse operator. For example, troop support personnel are responsible for ordering, receiving, counting, issuing, stocking, and shipping property for the Academy (to include the hospital and airmen dining halls). As of May 9, 1995, the Academy's troop support operation was authorized three military personnel. At that time, however, only two military personnel were assigned.

The three military positions in troop support (Table 4) were mission essential; however, those positions did not require military-unique skills or expertise. The Academy's troop support personnel provide food services support to troops assigned at the Academy, including the ordering and receiving of food items. In addition, the troop support personnel verified that all facilities and equipment met minimum standards for sanitation and health inspections. We believe the three military positions should be converted to civilian positions. The conversion of the positions to civilian would provide continuity in the troop support section in the 10th Services Squadron without reducing the effectiveness or efficiency of the Academy's troop support program. The conversions would also allow the assigned military personnel to be reassigned to more essential functions within the operational elements of the Air Force. Additionally, converting the positions to civilian would provide net benefits of \$92,370 (see Appendix F) in the FYs 1996 through 2001 Future Years Defense Program.

**Table 4. Positions Identified for Conversion**

<u>Position Number</u>	<u>Title</u>	<u>Military Rank</u>
20136	Troop Support Journeyman	Enlisted-3
20137	Airman In Charge Troop Support	Enlisted-5
20139	Troop Support Journeyman	Enlisted-3

## **Recommendations and Management Comments**

**C.1. We recommend that the Superintendent, United States Air Force Academy:**

**a. Provide the final implementation date for the realignment and consolidation of the computer functions at the United States Air Force Academy and the related monetary benefits that result from the realignment and consolidation.**

**Management Comments.** The Air Force stated that the final implementation date was April 7, 1995, and a savings of four positions was realized through consolidation.

**b. Provide the final implementation date for the realignment and consolidation of the morale, welfare, and recreation functions at the United States Air Force Academy and the related monetary benefits that result from the realignment and consolidation.**

**Management Comments.** The Air Force stated that the consolidation of the Academy's morale, welfare, and recreation functions under the 10th Services Squadron was implemented on October 1, 1995, and the remaining functions of the 34th Cadet Activities Squadron and the 34th Food Services Squadron had also been consolidated.

**c. Provide the implementation date of phase one for the realignment and consolidation of the supply functions at the United States Air Force Academy and the related monetary benefits that result from the realignment and consolidation.**

**Management Comments.** The Air Force stated that the implementation date of the consolidation of supply functions was October 1, 1995, and that the United States Air Force Academy would conduct a follow-on manpower review by April 1, 1996, to validate savings.

**d. Determine whether the supply services performed by the Cadet Issue Flight could be included in the existing 10th Air Base Wing Logistic Group's supply contract.**

**Management Comments.** The Air Force stated that the 10th Air Base Wing Logistic Group would consider conducting an Office of Management and Budget Circular A-76 study in April 1997.

**e. Reclassify the three military positions in the 10th Service's Squadron troop support operations, listed in Appendix F, as civilian positions on the United States Air Force Academy's Unit Manpower Document.**

## **Finding C. Realignment and Consolidation of Duplicative Functions**

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**f. Obtain increased civilian end-strength authorizations and civilian payroll authority to reclassify the three military positions identified in Recommendation C.1.e. to civilian positions.**

**Management Comments.** The Air Force concurred and stated that the positions were converted to civilian on August 31, 1995, by identifying offsets locally.

**C.2. We recommend that the Deputy Assistant Secretary of the Air Force (Force Manpower and Personnel):**

**a. Review and approve the United States Air Force Academy's unfunded manpower requirements.**

**Management Comments.** The Air Force concurred and stated that the Academy's unfunded manpower requirements had been reviewed in accordance with approved manpower standards and approved.

**b. Revise the United States Air Force Academy's "Unit Manpower Document" to reflect the economies and efficiencies obtained through the realignments and consolidations of functions at the United States Air Force Academy.**

**Management Comments.** The Air Force concurred and stated that the Academy's unit manning document had been revised to reflect the economies and efficiencies obtained through the realignment and consolidation of functions.

## **Part II - Additional Information**

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## Appendix A. Scope and Methodology

### Scope

To assess the economy and efficiency of the operation and management of the Academy, we reviewed functional areas of the Academy that we determined were most vulnerable to waste, fraud, and abuse. Specifically, we judgmentally reviewed 16 of the Academy's 25 organizations. We examined those organizations to identify areas where efficiencies and cost benefits could be realized. We reviewed contracting procedures for appropriated and nonappropriated funds, accounting procedures, manpower authorizations, and standard operating procedures for the organizations. We also reviewed the financial statements for FYs 1993 and 1994 for appropriated funds and school years 1993 through 1994 and 1994 through 1995 (through March 31, 1995) for nonappropriated funds. We also reviewed the legal opinions the Academy Staff Judge Advocate issued related to the operations of the Athletic Association.

### Methodology

We reviewed the status of the implementation of recommendations of Inspector General, DoD, Report No. 94-002 by reviewing manpower and other official documents that identify planned actions.

**Computer-Processed Data.** We used computer-processed data in the Defense Accounting Office-Air Force Academy to achieve the audit objectives. We also used computer-processed data to identify problems with the Academy's property inventories. Although we did not perform reliability assessment of the computer-processed data, we did determine whether the overtime and inventory data reviewed generally agreed with the information in the computer-processed data. We did not find errors that would preclude use of the computer-processed data to meet the audit objectives or that could change the conclusions in the report.

**Audit Period, Standards, and Locations.** We performed this economy and efficiency audit from July 1994 through May 1995 in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD. Accordingly, we included tests of management controls considered necessary. The audit relied on computer-processed data for information; however, we did not rely on the computer-processed data to develop our audit conclusions. Statistical sampling procedures were not used to perform the audit. Appendix H lists the organizations we visited or contacted.



## **Management Control Program**

DoD Directive 5010.38, "Internal Management Control Program," April 14, 1987, requires DoD organizations to implement a comprehensive system of management controls that provides reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls.

**Scope of Review of the Management Control Program.** We reviewed the management control program in each of the 25 organizations at the Academy. Except for the controls within the Athletic Department and the Athletic Association, management controls were adequate.

**Adequacy of Management Controls.** We identified material management control weaknesses at the Academy relating to the Athletic Association's procurement and contracting functions. The procurement and contracting actions were not in compliance with applicable DoD and Air Force instructions and regulations. Recommendations A.2., A.3., A.4., A.6., A.11., A.13., A.17., and A.19., if implemented, will improve the Academy's procurement and contracting procedures. The Academy needs to improve its overall management and administration of the Athletic Association. Finding A indicates widespread management control problems that significantly impede efficient and cost-effective operations at the Academy. See Appendix G for all benefits associated with the audit. A copy of the report will be provided to the senior official in charge of management controls for the Air Force.

**Adequacy of Management's Self-Evaluation.** Officials at the Academy had not identified the Athletic Association as an assessable unit; therefore, the management controls of the Athletic Association were not evaluated by the Academy.

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## **Appendix B. Summary of Prior Audits and Other Reviews**

During the last 5 years, the General Accounting Office issued three reports that discuss operations and financial management at the Academy. Also, the Office of the Inspector General, DoD, issued two reports that discuss areas of management and administration of the Academy. In addition, the Air Force Academy issued 11 reports that discuss the operations and financial management of the Athletic Association.

### **General Accounting Office**

General Accounting Office Report No. NSIAD-92-57 (OSD Case No. 8928), "DoD Service Academies: Academy Preparatory Schools Need a Clearer Mission and Better Oversight," March 1992, states that DoD does not have standards with which to assess the performance of its preparatory schools. The report recommends that the Secretary of Defense determine the role the preparatory schools play in officer development. The report also recommends that standards for the evaluation of the preparatory schools be developed and established. DoD concurred with the recommendations and has initiated several actions to improve cost reporting, efficiency, management, and supervision of the preparatory schools.

General Accounting Office Report No. NSIAD 91-79 (OSD Case No. 8585), "DoD Service Academies: Improved Cost and Performance Monitoring Needed," July 1991, states that the military academies receive little oversight from DoD. The report recommends that the Secretary of Defense issue guidance for uniform cost reporting and develop ways to improve the external oversight of academy functions. DoD concurred with the recommendations, except for convening a high-level commission to examine the academies. Subsequently, the General Accounting Office removed that element from its recommendations. No further comments were provided.

General Accounting Office Report No. NSIAD 90-28 (OSD Case No. 8294), "Review of the Cost and Operations of DoD's Service Academies," April 1990, provides background information on the costs and operations of the academies. The report states that the academies received limited oversight from DoD in relation to the amount of funding they are provided. The Board of Visitors did not provide sufficient oversight, because the Board did not spend enough time examining operations and was not independent enough to provide an effective external review of the academies' operations. The report recommends that the academies' financial reports include all costs directly related to academies' operations. Management comments were not in the report.

## **Inspector General, DoD**

Inspector General, DoD, Report No. 95-077, "Report on the Audit of the U.S. Air Force Preparatory School," January 18, 1995, states that the Preparatory School overstated its requirements for military personnel. The report recommends that nine positions designated as military-unique be converted to civilian. Funds put to better use of \$0.9 million for the FYs 1996 through 2001 Future Years Defense Program were identified as a result of the conversions. The commander of the Preparatory School concurred with recommendations, except for converting the Academic Dean to civilian. The commander agreed to reevaluate that position after the conversion of the military instructional positions to civilian.

Inspector General, DoD, Report No. 94-002, "Noninstructional Military Positions at the United States Air Force Academy," October 15, 1993, reported that the requirement for military personnel at the Academy is overstated. The report recommended deleting 23 military positions and converting 196 noninstructional military positions to civilian positions. Implementation of the recommendations would provide about \$14.7 million that could be put to better use for the FYs 1994 through 1999 Future Years Defense Program. Management concurred with the recommendations, except for halting the establishment of the Objective Wing concept at the Academy.

## **Air Force**

Inspector General, Department of the Air Force, Quality Air Force Assessment Report No. PN-95-406, "United States Air Force Academy," April 25, 1995, evaluated the Academy by using the Air Force's quality framework. The report evaluated the ability of the Academy to accomplish its mission while complying with Air Force guidance. Strengths and opportunities for improvement were identified in various sections of the Academy. Management comments were not in the assessment report.

Air Force Audit Agency Report of Audit 26195033, "Review of Intercollegiate Athletic Program Expenditures for the Air Force Academy Athletic Association FY 1994," April 24, 1995, was issued to comply with the National Collegiate Athletic Association audit requirement for FY 1994. Tests were performed on various organizational elements within the Athletic Association. Additionally, management controls were examined for selected functions in the Athletic Association. The report states that the Athletic Association properly accounted for expenditures and revenues in FY 1994 and that management controls were adequate to identify errors and to ensure data reliability. The report contained no recommendations.

Inspector General, Department of the Air Force, Report on the General Management Inspection, "United States Air Force Academy," December 4, 1994, evaluated the Athletic Association's procedures and compliance with

## Appendix B. Summary of Prior Audits and Other Reviews

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Air Force and National Collegiate Athletic Association requirements. The report states that the Academy complied with National Collegiate Athletic Association requirements; however, deficiencies were identified in the financial management of the Athletic Association. Management comments were not in the report.

Air Force Audit Agency Report of Audit 26194028, "Review of Internal Controls in the Cadet Issue Branch, USAFA [United States Air Force Academy]," May 12, 1994, evaluated management controls for the accountability of assets and processing sales in the Cadet Issue Branch. The report states that procedures were effective to protect assets; data input was effective for preparation of the financial statements; and sales, purchases, and receipt transactions were correctly authorized and recorded. The report also states that cadet accounts were not charged for issues that amounted to more than \$17,000 in February 1994. Management took corrective action during the audit to implement the recommendations by revising operating instructions to include procedures to verify the cadet pay listing with the transaction listing.

Air Force Audit Agency Report of Audit 26194009, "Review of Intercollegiate Athletic Program Expenditures for the Air Force Academy Athletic Association FYs 1992 and 1993," December 30, 1993, was performed to comply with the National Collegiate Athletic Association audit requirement for FYs 1992 and 1993. The Air Force reviewed selected expenditures and revenues for the 1992 Liberty Bowl, including expenditures for five selected expense accounts and revenues for two home football games for the 1992 season. The report states that expenditures for FYs 1992 and 1993 were appropriate and that revenues for the Liberty Bowl and two home games were reported correctly. Further, deficiencies identified in Report of Audit 110-9-2 and Report of Audit 92261001 were corrected. The report contained no recommendations.

Air Force Audit Agency Report of Audit 26193008, "Controls Over Expenditures from the Superintendent's Mission Support Fund, USAFA Academy," April 1, 1993, evaluated the management controls over expenditures from the fund. The fund was reviewed for the segregation of duties, the proper authorization of expenditures, and the documentation of expenditures. The report did not contain findings that required corrective action.

Air Force Audit Agency Report of Audit 92261001, "Review of Intercollegiate Athletic Program Expenditures for the Air Force Academy Athletic Association," April 2, 1992, follows up on recommendations from Report of Audit 261-1-15, March 18, 1991, and states that corrective action had been taken to separate payroll functions at Nonappropriated Fund Financial Management Research. The report identified management control weaknesses in the Gift Shop procedures for processing mail orders. Duties were not properly segregated and invoices were not settled in a timely manner. Management concurred with all recommendations and agreed to separate duties and responsibilities that would cause management control problems.

Air Force Audit Agency Report of Audit 261-1-15, "Financial Reports of the Air Force Academy Athletic Association," March 18, 1991, was issued to certify the financial statements for FY 1990 and to follow up on

## **Appendix B. Summary of Prior Audits and Other Reviews**

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recommendations in Report of Audit 110-0-2. The FY 1990 financial statements were found to have fairly presented the financial position of the Athletic Association. A lack of separation of duties was identified in the payroll function at the Nonappropriated Fund Financial Management Branch. The Superintendent of the Air Force Academy concurred with the recommendation by implementing corrective actions before the report was issued.

Air Force Audit Agency Report of Audit 110-0-6, "Review of Base Supply, Equipment Management Section, USAFA," January 30, 1990, examined whether equipment in the Dean of Faculty, Athletic Department, Cadet Wing Logistics, and the Accounting and Finance Office is properly managed. The report states that all items reviewed were properly authorized and accounted for. The report recommends that some of the larger equipment accounts be reduced to increase their manageability. Management concurred with the report's recommendations and agreed to reduce the size of the equipment accounts to assist in controlling the accountability of equipment.

Air Force Audit Agency Report of Audit 110-0-2, "Accounting and Internal Control Procedures of the Air Force Academy Athletic Association," November 9, 1989, identified management control problems and inaccuracies in several segments of the Athletic Association. Accounting procedures and management controls were not adequate to ensure the validity of the Athletic Association financial records and to manage and account for Athletic Association assets. Management concurred with the report's recommendations and agreed to establish management control procedures to ensure the Athletic Association will use proper accounting practices.

Air Force Audit Agency Report of Audit 110-9-2, "Management of the Air Force Academy Athletic Association," November 21, 1988, states that the appropriateness and validity of expenses were questionable. Serious accounting and management control weaknesses were found that resulted in the need for numerous accounting adjustments for FY 1988. The report states that if accounting procedures and management controls were not strengthened within the Athletic Association, then an adverse or disclaimer opinion could be issued.

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## **Appendix C. Athletic Department and Programs**

The Academy has requested an additional 11 personnel authorizations and \$1 million annually of appropriated funds to continue to operate its expanded athletic activities, programs, and intercollegiate sports. The Academy had not reviewed its programs recently to determine whether they were operating effectively and efficiently, within funding limitations, and in accordance with the Academy's mission. As a result, the Academy operated athletic programs that could possibly be streamlined or eliminated as part of cost reduction efforts.

### **Athletic Programs Related to Cadet Development**

The overall mission of the Academy is to develop cadets into future Air Force officers with a vision for tomorrow. In the development of the cadets, the Academy has focused on three educational areas: academic, military training, and athletic programs. The role of the Athletic Department in assisting the Academy in its overall mission is to "enhance the physical conditioning of all cadets, develop the physical conditioning skills of officership, teach leadership in a competitive environment, and build character." The Athletic Department's specific goals were to develop a knowledge of physical fitness and health requirements to obtain the maximum physical potential in each cadet; develop an interest in a number of physical skills to enable cadets to participate in vigorous physical fitness activities throughout their lifetime; and develop such leadership characteristics as self-confidence, emotional control, physical courage, and a highly competitive attitude. The Athletic Department determined that the best method to achieve those goals was through physical education, fitness tests, and participation in intramural and intercollegiate sports.

### **Cost of the Athletic Programs**

The Superintendent of the Academy established that funding for the athletic programs should be primarily from appropriated funding with supplemental support from nonappropriated funding. The Superintendent determined that the Athletic Association would provide as much supplemental support as fiscally possible, determined on a year-to-year basis. The Athletic Department's total operating expenditures for FYs 1993 and 1994 were \$3.3 million and \$3.7 million, respectively, from appropriated funding. The Athletic Association provided nonappropriated funds totaling \$7.7 million for school year 1993 through 1994 and \$7.4 million for school year 1994 through 1995.

**Shift of Funding for Intercollegiate Sports Programs.** Due to the financial condition of the Athletic Association in FYs 1993 and 1994, the Athletic

## Appendix C. Athletic Department and Programs

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Department moved most of the operating costs from the Athletic Association's nonappropriated fund account to the Athletic Department's appropriated fund account. For example, the Athletic Department transferred travel and per diem expenses for team travel from the Athletic Association's nonappropriated fund account to the Athletic Department's appropriated fund account. An Athletic Department official stated that if using appropriated funds, the intercollegiate teams have an opportunity to reduce travel costs by using available military airlift, whereas the military airlift would not be available if the travel funding came from the Athletic Association's nonappropriated fund account. The football program, however, continued to have its travel expenses paid by the Athletic Association, because the Academy had not submitted a request to Headquarters, Air Force, for an increase in the Academy's appropriated funds for FYs 1993 through 1995. Although the funding for the Intercollegiate Sports Program was shifting from nonappropriated to appropriated funding, neither the Athletic Department nor the Athletic Association had shifted funding to supplement the other two athletic programs (Physical Education and Intramural Sports Programs).

**Requirements for Women's Division I.** United States Code, title 10 guidance on gender equity requires that the men's and women's Intercollegiate Sports Program be proportionally staffed and funded. To be in accordance with United States Code, title 10 gender equity guidance, the Athletic Department determined 11 additional personnel authorizations and 2 contract personnel would be required to operate the women's intercollegiate sports at a Division I level. However, the Athletic Department did not perform a manpower study to validate that 11 additional personnel authorizations were warranted as a result of moving women's intercollegiate sports to a Division I level. A manpower study should be conducted at the Athletic Department to determine the staffing requirements. The Athletic Department also determined that operating the women's intercollegiate sports in Division I would require an additional \$1 million annually of appropriated funding to be in accordance with United States Code, title 10 gender equity requirements. The \$1 million would be used for expenses such as travel, compatible salary for coaches, and budgets comparable to a like men's intercollegiate sport (for example, tennis).

## Summary

As costs for the athletic programs continued to escalate, the Athletic Department had not reviewed the requirement for its numerous athletic programs or determined how the programs related to the overall mission of the Academy. Instead, the Athletic Department appears to be building an athletic program that would be comparable to larger universities and require generous appropriated fund support.

During these times of downsizing of U.S. forces and in the current economic environment, the Academy is challenged to meet budget goals. Reducing expenditures while maintaining readiness has created a need to identify opportunities to streamline and improve the efficiency of organizations to do

## **Appendix C. Athletic Department and Programs**

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more with less. To maintain their high standards in the current environment, the Academy needs to operate as efficiently as possible in operating the athletic activities, programs, and intercollegiate sports. Therefore, the Academy needs to validate the requirements for the programs in line with the current economic environment. We believe the Academy should validate the requirements for the athletic programs, eliminate duplicative programs, and realign the Physical Education Program under the 34th Training Wing.



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## Appendix D. Other Matters of Interest

The Academy has begun implementing the recommendations in Inspector General, DoD, Report No. 94-002, "Noninstructional Military Positions at the United States Air Force Academy," October 15, 1993. However, the Office of the Registrar in the Dean of Faculty requested that two positions (position numbers 19063 and 19065) be reconsidered for elimination from the Office of the Registrar's manpower authorization. On April 27, 1995, the Academy's Directorate of Plans and Programs validated that the staffing authorizations for the Office of the Registrar should be 22 positions. The Directorate of Plans and Programs revalidated the workload collected in the May 1991 manpower study for the Office of the Registrar, authorizing 22 positions. However, as a result of reductions recommended in Report No. 94-002, the Office of the Registrar was authorized only 20 positions. To resolve the shortfall of the two positions, the Directorate of Plans and Programs identified two positions that could be obtained from within the current authorization levels of the Academy. The Directorate of Plans and Programs does not guarantee that military personnel would fill the positions. On May 4, 1995, representatives of the Office of the Registrar, Directorate of Plans and Programs, and the Inspector General, DoD, agreed to reestablish the authorizations for the two positions. Based on the available positions at the Academy, the Inspector General, DoD, representatives agreed that either military or civilian personnel could fill the positions. As a result, on May 8, 1995, the Academy and the Inspector General, DoD, representatives signed a memorandum of understanding superseding the recommendation to delete the two positions in the Office of the Registrar.

## Appendix E. Secretary of the Air Force Action Memorandum



DEPARTMENT OF THE AIR FORCE  
WASHINGTON, D.C. 20330

14 APR 1987

OFFICE OF THE SECRETARY

### MEMORANDUM FOR SUPERINTENDENT OF THE UNITED STATES AIR FORCE ACADEMY

SUBJECT: Air Force Academy Athletic Association - ACTION  
MEMORANDUM

Purpose: To prescribe policies governing the operation of the Air Force Academy Athletic Association (AFAAA) as a Supplemental Mission Services Nonappropriated Fund Instrumentality of the Department of the Air Force.

Objectives: The objectives of the AFAAA shall be:

- a. Provide direct supplemental support to the USAF Academy athletic program which entails participation in intramural sports, physical education and intercollegiate athletics by members of the Cadet Wing.
- b. Enhance the public image of the USAF Academy and the United States Air Force.
- c. Provide a medium through which the general public can be exposed to the USAF Academy and its athletic program.

Status: The USAF Academy athletic program involves the mental, physical, and character development of all cadets and is an integral part of the prescribed Academy education and training process. The AFAAA, a responsibility of the Directorate of Athletics, is a non-appropriated fund instrumentality authorized and established for the purpose of providing essential supplemental support to the athletic program. The AFAAA is responsible for those personnel and activities directly involved in the management and operation of the following: (a) Gift Shop, (b) Ticket Office, (c) Concessions, (d) Recreational Skating, (e) Falcon Stadium, (f) AFAAA housing, (g) AFAAA dormitory, and (h) Procurement, maintenance and repair of AFAAA supplies and equipment in support of activities mentioned above. Operation of the AFAAA will be in accordance with directives applicable to other non-appropriated fund instrumentalities except where specific waivers have been requested by the Superintendent of the Air Force Academy and approved by the appropriate Air Staff agency. Specific policies governing the supervision and management of the AFAAA are contained in Attachment 1. Authorized waivers to certain specified directives granted to the AFAAA are contained in Attachment 2.

## Appendix E. Secretary of the Air Force Action Memorandum

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**Supersession:** This memorandum supersedes Secretary of the Air Force Memorandum, dated 17 March 1981.



E. C. Aldridge, Jr.  
Secretary of the Air Force

- 2 Atch  
1. Supervision and Management  
of AFAMA  
2. Approved Waivers

## Appendix E. Secretary of the Air Force Action Memorandum

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DEPARTMENT OF THE AIR FORCE  
OFFICE OF THE CHIEF OF STAFF  
UNITED STATES AIR FORCE  
WASHINGTON, D.C. 20330

13 AUG 1987

MEMORANDUM FOR SUPERINTENDENT OF THE UNITED STATES AIR FORCE ACADEMY

SUBJECT: Air Force Academy Athletic Association - ACTION MEMORANDUM

Please substitute the attached page for Atch 1 to the Secretary of the Air Force's April 14, 1987 memo, subject as above. The only change is the required frequency of general management inspections -- every three years.

*Carl R. Smith*  
CARL R. SMITH, Lt General, USAF  
Assistant Vice Chief of Staff.

1 Atch  
Supervision and Management  
of the AFAAA

## Appendix E. Secretary of the Air Force Action Memorandum

### SUPERVISION AND MANAGEMENT OF THE AFAAA

1. The AFAAA is subject to the general supervisory powers of the Secretary of the Air Force. The Superintendent of the Air Force Academy is responsible for the immediate control, operation and supervision of all its activities under the general supervision of the Chief of Staff, USAF. The Auditor General will require, as a minimum, an annual audit of the AFAAA. A general management inspection by representatives of the Inspector General's Office will be conducted every three years. Reports of audit and inspection will be coordinated with other interested Secretariat offices and with the Secretary of the Air Force advised of any pertinent findings.
2. The general management of the AFAAA is performed by the Director of Athletics. Air Force directives governing non-appropriated fund instrumentalities will apply to the day-to-day operations except where specific waivers have been requested by the Superintendent and approved by the appropriate Air Staff agency. Additionally, an Advisory Committee of at least five officers will be appointed by the Superintendent. Members of the Committee will make recommendations to the Superintendent concerning the overall operations of the AFAAA.
3. The mission of the AFAAA is highly specialized and the organization is unlike any other nonappropriated fund activity in the United States Air Force. This is particularly so with respect to its public relations responsibility to the United States Air Force and the Air Force Academy. The entire operations of the AFAAA will be subject to full scrutiny and will adhere to standard intercollegiate policy, practices and athletic regulations as promulgated by the National Collegiate Athletic Association, so long as such policy, practices, and athletic regulations are not inconsistent with applicable Federal laws or DOD or other Federal agency regulations.
4. The Superintendent is authorized to dissolve or inactivate the AFAAA. In accordance with AFR 34-3, Volume II, the Air Force Central Special Fund is designated as the successor for the AFAAA. Dissolution procedures will be in accordance with AFR 34-3, Volume VI.

Atch #1

## Appendix E. Secretary of the Air Force Action Memorandum

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### WAIVERS TO DAF AND NAF DIRECTIVES

1. Procurement - Procurement actions will be in conformance with the provisions of DODD 5500.7 and DODI 4105.67. Within the parameters provided by applicable Federal laws and DOD and other Federal agency regulations, the Superintendent of the Air Force Academy is authorized to waive those provisions of AFR 34-3, Volume IX, which are inconsistent with acceptable intercollegiate athletic practices. Terms, conditions and provisions of contracts relating to the scheduling of athletic events, acquiring the services of officials, and furnishing of transportation, meals and lodging will be consistent with the policies and practices of the NCAA so long as such policies and practices are not inconsistent with applicable Federal laws or DOD or other Federal agency regulations.
2. Public Relations - So long as such policies and practices are not inconsistent with applicable Federal laws or DOD or other Federal agency regulations, the conduct of public relations, including promotional activities, may include practices common to intercollegiate athletics and consistent with policies and practices of the NCAA. Compliance with DODD 5410.18 and DODI 5410.19 is required in the absence of specific waiver authority.
3. Insurance - Maximum practical utilization will be made of centrally established insurance programs to include assets, liabilities, workers' compensation, group life and health insurance and group retirement programs that are prescribed in AFR 34-3, Volume VIII. Existing AFAAA commercial insurance programs will be reviewed on an annual basis to determine the applicability and feasibility of centrally established insurance programs.
4. Personnel Contracts - Civilian football and basketball coaches and assistant coaches along with their administrative staffs, the Director of Promotions, and the Director of Development may be engaged under contract in accordance with the customs and procedures practiced in the private sector by other member organizations of the National Collegiate Athletic Association (NCAA). Compensation for individuals so engaged is set at a schedule rate which is comparable to the compensation paid to like occupations by similar institutions of the private sector. Such individuals under personal service contracts are not deemed employees, and, consequently, are not eligible for participation in the AFNAF group life and health insurance and retirement programs, nor are they covered by the AFNAF workers' compensation program.

Atch #2

## Appendix F. Potential Monetary Benefits of Conversions

Military Grade	Civilian Grade Equivalent <sup>1</sup>	Military Compensation (Base Year) <sup>2</sup>	Civilian Compensation (Base Year) <sup>2</sup>	Number to be Converted	Total Military Compensation	Total Civilian Compensation	Benefit of Conversion (1 year)	Benefit of Conversion (6 years) <sup>3</sup>
Enlisted-5	GS-05	\$37,100	\$26,585	1	\$37,100	\$26,585	\$10,515	63,090
Enlisted-3	GS-04	\$26,176	\$23,736	2	<u>52,352</u>	<u>47,472</u>	<u>4,880</u>	<u>29,280</u>
	<b>Total</b>		<b>Total</b>	<b>3</b>	<b>\$89,452</b>	<b>\$74,057</b>	<b>\$15,395</b>	<b>\$92,370</b>

<sup>1</sup>We did not use the exact equivalent for each military pay grade. Instead, we used the next higher civilian pay grade for enlisted positions to allow for the overtime or additional staffing that may be needed as a result of the conversion from military to civilian positions.

<sup>2</sup>Our estimate of potential monetary benefits is based on fiscal year 1995 Military-Civilian Equivalent Pay Rates for the Air Force, published by the Under Secretary of Defense (Comptroller), to support Defense Business Operations Fund budget formulation.

<sup>3</sup>FYs 1996 through 2001 Future Years Defense Program.

## Appendix G. Summary of Potential Benefits Resulting From Audit

Recommendation Reference	Description of Benefits	Amount and Type of Benefit
A.1.	Compliance with Laws and Regulations. Clarifies intent of the Secretary of the Air Force Memorandum of April 14, 1987.	Nonmonetary.
A.2., A.3.	Management Controls and Compliance with Laws and Regulations. Implements current DoD procurement guidance and improves the controls over procurement actions.	Nonmonetary.
A.4.	Management Controls and Program Results. Improves controls to prevent unauthorized personnel from obligating the Air Force Academy Athletic Association's funds.	Nonmonetary.
A.5.a., A.5.b.	Economy and Efficiency. Streamlines contracting operations at the Air Force Academy.	Undeterminable.*
A.6.	Management Controls and Compliance with Regulations. Improves controls over the Athletic Association and establishes continuous oversight to monitor compliance with existing guidelines.	Nonmonetary.
A.7.	Economy and Efficiency. Eliminates unnecessary costs associated with home football games.	Eliminating costs will result in about \$30,000 being put to better use during the FYs 1996 through 2001 Future Years Defense Program.

\*Upon implementation of the recommendations, the Air Force will be able to determine the monetary benefits.



## Appendix G. Summary of Potential Benefits Resulting from Audit

Recommendation Reference	Description of Benefits	Amount and Type of Benefit
A.8.	Program Results. Assists in allocating appropriated and nonappropriated funds in the most effective manner.	Nonmonetary.
A.9.	Economy and Efficiency. Reimburses the Air Force Academy's appropriated fund.	Undeterminable.*
A.10.	Economy and Efficiency. Establishes the pay status of civil service coaches.	Undeterminable.*
A.11.	Management Controls and Program Results. Improves controls over licensing agreements, collects usage fees from licensing agreements, and deposits the funds into the appropriate accounts.	Undeterminable.*
A.12.	Program Results. Transfers collected utility charges from the Athletic Association account to the Air Force Academy account.	Undeterminable.*
A.13.	Management Controls and Economy and Efficiency. Establishes accurate payroll and overtime accounting procedures.	Nonmonetary.
A.14.	Compliance with Regulations and Laws. Provides ethics training to officials in the Air Force Academy Athletic Association.	Nonmonetary.
A.15.	Compliance with Regulations and Laws. Reports the ethics violation to the appropriate authorities.	Nonmonetary.
A.16.	Compliance with Regulations and Laws. Stops improper mailing of catalogs.	Undeterminable.*

\*Upon implementation of the recommendations, the Air Force will be able to determine the monetary benefits.

## Appendix G. Summary of Potential Benefits Resulting from Audit

Recommendation Reference	Description of Benefits	Amount and Type of Benefit
A.17.	Management Controls and Compliance with Regulations and Laws. Improves the controls over individual services contracting and implements current Air Force guidance.	Undeterminable.*
A.18.	Economy and Efficiency. Clarifies contract personnel relationship with the Air Force Academy Athletic Association.	Undeterminable.*
A.19.	Management Controls and Economy and Efficiency. Stops contract personnel from obligating appropriated and nonappropriated funds. Collects merchandise and revenues contract personnel gained as a result of the Air Force Academy's athletic programs.	Undeterminable.*
B.1.	Program Results. Allows for more effective use of limited resources.	Undeterminable.*
B.2.	Economy and Efficiency. Converts positions to allow for the reassignment of military personnel to more essential functions within the Air Force.	Undeterminable.*
B.3.	Economy and Efficiency. Assists in obtaining the most effective civil engineering operation.	Undeterminable.*
C.1.a., C.1.b., and C.1.c.	Program Results. Implements study results and related manpower benefits.	Undeterminable.*
C.1.d.	Economy and Efficiency. Assists in obtaining the most effective cadet supply operation.	Undeterminable.*

\*Upon implementation of the recommendations, the Air Force will be able to determine the monetary benefits.

## Appendix G. Summary of Potential Benefits Resulting from Audit

Recommendation Reference	Description of Benefits	Amount and Type of Benefit
C.1.e.	Economy and Efficiency. Converts positions to allow the reassignment of military personnel to more essential functions within the Air Force.	Funds put to better use of \$92,370 during the execution of the FYs 1996 through 2001 Future Years Defense Program.
C.1.f.	Economy and Efficiency. Increases end-strength authorizations and payroll authority to enhance the operations of troop support in the 10th Services Squadron.	Undeterminable.*
C.2.a.	Program Results. Validates the Air Force Academy's manpower requirements.	Nonmonetary.
C.2.b.	Economy and Efficiency. Assists in validating the Air Force Academy's Unit Manpower Document.	Undeterminable.*

\*Upon implementation of the recommendations, the Air Force will be able to determine the monetary benefits.

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## **Appendix H. Organizations Visited or Contacted**

### **Office of the Secretary of Defense**

Under Secretary of Defense for Personnel and Readiness, Washington, DC

### **Department of the Air Force**

Office of the Assistant Secretary of the Air Force (Financial Management and Comptroller), Washington, DC

Inspector General, Department of the Air Force, Washington, DC

Auditor General, Air Force Audit Agency, Washington, DC

Air Force Audit Agency, Peterson Air Force Base, Colorado Springs, CO

United States Air Force Academy, Colorado Springs, CO

### **Non-DoD Federal Organization**

U.S. Post Office, United States Air Force Academy, Colorado Springs, CO

### **Non-Government Organization**

Space-Mark, Inc., Colorado Springs, CO

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## **Appendix I. Report Distribution**

### **Office of the Secretary of Defense**

Under Secretary of Defense (Comptroller)  
Deputy Chief Financial Officer  
Deputy Comptroller (Program/Budget)  
Under Secretary of Defense for Personnel and Readiness  
Assistant Secretary of Defense (Economic Security)  
Assistant to the Secretary of Defense (Public Affairs)  
Director, Defense Logistics Studies Information Exchange

### **Department of the Army**

Auditor General, Department of the Army

### **Department of the Navy**

Assistant Secretary of the Navy (Financial Management and Comptroller)  
Auditor General, Department of the Navy

### **Department of the Air Force**

Assistant Secretary of the Air Force (Financial Management and Comptroller)  
Superintendent, United States Air Force Academy  
Inspector General, Department of the Air Force  
Auditor General, Department of the Air Force

### **Other Defense Organizations**

Director, Defense Contract Audit Agency  
Director, Defense Logistics Agency  
Director, National Security Agency  
Inspector General, National Security Agency

## Appendix I. Report Distribution

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### Non-Defense Federal Organizations

Office of Management and Budget  
Technical Information Center, National Security and International Affairs Division,  
General Accounting Office

Chairman and ranking minority member of each of the following congressional committees and subcommittees:

Senate Committee on Appropriations  
Senate Subcommittee on Defense, Committee on Appropriations  
Senate Committee on Armed Services  
Senate Subcommittee on Personnel, Committee on Armed Services  
Senate Committee on Governmental Affairs  
House Committee on Appropriations  
House Subcommittee on National Security, Committee on Appropriations  
House Committee on Government Reform and Oversight  
House Subcommittee on National Security, International Affairs, and Criminal  
Justice, Committee on Government Reform and Oversight  
House Committee on National Security  
House Subcommittee on Military Installations and Facilities, Committee on National  
Security  
House Subcommittee on Military Personnel, Committee on National Security

## **Part III - Management Comments**

# Department of the Air Force Comments



Office of the Assistant Secretary

DEPARTMENT OF THE AIR FORCE  
WASHINGTON, DC

7 DEC 1995

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITING, OFFICE OF  
THE INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

FROM: Deputy Assistant Secretary of the Air Force (Force Management and Personnel)

SUBJECT: Draft Audit Report on the Management and Administration of the USAF Academy  
(Project No. 4RA-5051.03)

This is in reply to your request for Air Force comments on the subject report. Our  
comments are attached. Should you have any questions, please feel free to contact our project  
officer, Captain Sam Montgomery, at extension 697-8917.

A handwritten signature in cursive script, reading "Ruby B. Demesme", is positioned above the typed name.

RUBY B. DEMESME  
Deputy Assistant Secretary  
(Force Management and Personnel)

Attachment:  
Comments

cc:  
USAF/CC



**AIR FORCE RESPONSE TO RECOMMENDATIONS ON DRAFT AUDIT REPORT ON  
THE MANAGEMENT AND ADMINISTRATION OF THE USAF ACADEMY  
(PROJECT NO. 4RA-5051.03)**

**FINDING A: ATHLETIC ASSOCIATION OPERATION AND MANAGEMENT  
PROCEDURES**

We recommend the Superintendent, United States Air Force Academy:

1. Request a revalidation and clarification from the Secretary of the Air Force of the April 14, 1987, Secretary of the Air Force Action Memorandum, to specify the Federal, DoD, and Air Force guidance the Athletic Association is exempt from.

Comments: Concur. Secretary of the Air Force signed a new memorandum on November 16, 1995 prescribing the policies that govern the operation of the Athletic Association (Appendix A). Closed.

2. Establish policies and procedures for procurement actions for the Athletic Association in accordance with DoD Instruction 4105.67, "Nonappropriated Fund Procurement Policy," October 2, 1981.

3. Revise the Athletic Department Operating Instruction (AHOI) 176-5, "Procurement of Supplies, Equipment Services," January 6, 1995, to comply with the policies and procedures for procurement action in applicable DoD regulations.

4. Establish policies and procedures to prohibit the Athletic Association personnel, including contract personnel, from obligating or committing the funds of the Athletic Association.

Comments: Concur. AHOI 176-5 has been rescinded. Procurement for the Athletic Department has been assumed by the 10th Services Squadron. Policy letter has been issued requiring all procurements to be processed through the Athletic Department comptroller's office (Appendix B). Closed.

5. Eliminate the contracting capability in the Athletic Association.

a. Realign positions USO4708 and USO4543 to the 10th Logistics Contracting Office (10 ABW/LGC).

b. Revoke the contracting warrant authorization from the Athletic Association in positions USO4708 and USO4543.

Comments: Contracting capability has been removed from the Athletic Association and realigned under the Nonappropriated Fund Accounting Office (NAF AO). NAF contracting

## Department of the Air Force Comments

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officers reside in the NAF AOoffice to handle NAF procurement. Only purchases of over \$2,500 are processed at 10 ABW/LGC. Closed.

6. Perform an annual oversight review of the Athletic Association in coordination with the Nonappropriated Fund Financial Analysis Branch, Financial Management and Comptroller and the 10th Air Base Wing (10 ABW) and establish a tracking program to ensure identified problems are corrected.

Comments: Concur. The 10 ABW Commander through the 10 ABW/LG and the Contracting Flight will establish a comprehensive program to conduct oversight visits of the AFAAA to ensure compliance with Air Force Policy Directive 64-3, dated July 29, 1994, "The Nonappropriated Fund Contracting System," Air Force Instruction 64-301, dated April 18, 1994, "Nonappropriated Fund Contracting," and Air Force Manual (AFM) 64-302, dated October 21, 1994, "Nonappropriated Fund Contracting." Estimated completion date is November 30, 1995. Open.

7. Discontinue lodging the football team at local hotels before home football games and stop providing meal allowances to football players when meals are provided during home football games.

Comments: Nonconcur/concur. Lodging the team at local hotels is consistent with common NCAA policy and practice and deemed to be in the best interest of the football program and the athletes. However, we concur that athletes should not be provided meal allowances when meals are provided. This practice has been terminated. Closed.

8. Complete a supplement for Air Force Instruction 65-106, "Appropriated Fund Support of Morale, Welfare, and Recreation, and Nonappropriated Funds Instrumentality's," October 28, 1994, that identifies each activity of the Athletic Association as Category A, B, or C, identifies funding sources, and describes the relationship of the Athletic Association to the mission of the United States Air Force Academy.

Comments: Concur. Draft supplement has been completed and submitted to SAF/FM (Appendix C). Open.

9. Determine whether the Athletic Association must reimburse the United States Air Force Academy (including the 10th Logistics Group and the 34th Training Wing) based on identifying each activity in the Athletic Association as category A, B, or C as required in Recommendation 6.

Comments: Concur. Determination cannot be completed until the USAFA Supplement to Air Force Instruction 65-106 has been finalized. Estimated completion date is December 1, 1995.

## Department of the Air Force Comments

10. Evaluate the pay status of civil service coaches in relation to the pre-established conditions of their employment and place them in the correct pay status when attending Sports Camps.

Comments: USAFA's Directorate of Civilian Personnel has evaluated the utilization of civil service coaches and has determined that the current use of seasonal hires is appropriate (Appendix D). Closed.

11. Establish procedures to require that all licensing agreements be coordinated through the Athletic Association Business Office; to record issued licensing agreements; to collect usage fees in accordance with Air Force Instruction 32-9003, "Granting Temporary Use of Air Force Real Property," July 22, 1994; and to collect utility charges in compliance with Air Force Instruction 32-1061, "Providing Utilities to Air Force Installations," June 14, 1994.

Comments: Concur. Procedures are contained in Athletic Department Policy Letter, Subject: Athletic Department Facility Usage Licensing Agreement Policy, October 10, 1995. (Appendix E) Closed.

12. Transfer collected utility charges from the Athletic Association account to the United States Air Force Academy Operation and Maintenance (O & M) Account.

Comments: Concur. USAFA Financial Management and Comptroller; Civil Engineer; and Athletic Department have completed a joint analysis to determine amount to be transferred to the O&M account and funds will be transferred as they are collected in accordance with the policy letter at attachment E. Closed.

13. Direct that personnel in the Athletic Association Gift Shop request advance approval for overtime and have time cards approved by the authorized approval authority in compliance with Air Force Manual (AFM) 177-372A, Volume II, "Time and Attendance Reporting Civilian Pay System," July 1992, and Nonappropriated Funds Personnel System Program Action Directive, April 14, 1991.

Comment: Concur. All Athletic Department personnel are required to request overtime in advance to the maximum extent possible (Appendix F) and all time cards must be approved in accordance with AFM 177-732AV2. All timekeepers and supervisors have been trained on proper procedures. Closed.

14. Expand the United States Air Force Academy ethics training program to include all nonappropriated fund employees, which includes employees of the Athletic Association.

Comments: Concur. Ethics training now includes nonappropriated fund employees (Appendix G). Ethics training has been provided to all appropriate AFAAA personnel. Records of training are maintained at the Athletic Department Comptroller office to ensure training is accomplished annually. Closed.

## Department of the Air Force Comments

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15. Report the ethics violations committed by the Athletic Association Gift Shop buyer to the United States Air Force Academy Senior Ethics Officer for corrective action.

Comments: Concur. USAFA Senior Ethics Officer determined a technical violation occurred and corrective action was to provide training to the violator (Appendix H). This training was accomplished on July 13, 1995. Closed.

16. Discontinue the Athletic Association Gift Shop mail order catalog and prohibit the issuance of any future catalogs in accordance with DoD Instruction 1015.2, "Operational Policies for Morale, Welfare, and Recreation (MWR)," May 17, 1985.

Comments: Nonconcur. Per AFI 64-106 and AFM 64-302, the AFAAA is not an MWR activity and therefore not subject to the limitations of MWR activities. Closed.

17. Establish policies and procedures for contracting for individual services in accordance with Air Force Manual 64-302.

Comments: Concur. Responsibility for contracting for individual service has been realigned under the NAF AO and contracts are being issued in accordance with AFM 64-302. Closed.

18. Request a determination on the employment status for contract employees from the Internal Revenue Service (IRS) and immediately discontinue withholding taxes, paying the employer's share of Federal Insurance Contribution Act contributions, and issuing Internal Revenue Service Forms W-2 until the determination is received.

Comments: Nonconcur. The Athletic Department contacted the IRS in August 1995 and was informed that, in accordance with IRS Publication 937, the Athletic Association's contracted personnel are to be considered employees for tax purposes, and taxes should be withheld and employer share of FICA is appropriate (Appendix I). Closed.

19. Prohibit contract personnel from committing appropriated and nonappropriated funds; establish procedures to credit the Athletic Association nonappropriated account for the revenues or merchandise received from product endorsement contracts in accordance with Public Law 103337, Section 556 October 5, 1994; and collect the revenues improperly distributed to contract personnel and deposit them in the Athletic Association nonappropriated account.

Comments: Concur/nonconcur. It is stipulated in all coaches' contracts and reiterated in Athletic Department policy that they are prohibited from committing or obligating funds. However, their contracts authorize them to enter into endorsement contracts in their own name. Endorsement of commercial products on the part of coaches is standard practice in intercollegiate athletics and approved by the NCAA in paragraph 11.3.2.5 of the 1995-96 NCAA Manual. Further, paragraph 11.2.2 of the manual identifies revenue generated from "Endorsement of consultation contracts with athletic shoe, apparel, or equipment manufacturers" as income of the athletic department staff member (coach). Therefore, funds generated from these endorsement

contracts are not funds generated by the athletic programs but by the coach and should not be deposited in the AFAAA account. HQ USAFA/JA rendered a legal opinion on revenue from product endorsement contracts. (Appendix J). Closed.

**FINDING B: CIVIL ENGINEERING MILITARY REQUIREMENTS**

We recommend the Superintendent, United States Air Force Academy:

1. Eliminate the availability for the two Prime Base Engineer Emergency Force (BEEF) follow teams at the United States Air Force Academy for future Air Force wartime requirements.
2. Identify and reclassify the 150 civil engineering military positions as civilian positions on the United States Air Force Academy's Unit Manpower Document and obtain equivalent increased civilian end-strength authorizations and civilian payroll authority for the reclassifications.
3. Determine the feasibility of contracting out elements of the United States Air Force Academy civil engineer operations.

Comments: Nonconcur. Prime BEEF Teams were previously comprised of a 100-person civil engineer team and a 12-person fire fighting team. The Academy military manning in Civil Engineers was configured to meet this tasking. As a result of a previous DoDIG audit, military manning in excess of the previous Prime BEEF Team structure was converted to civilian. Subsequent to our military/civilian conversions which were recommended by the DoDIG, Air Force Civil Engineer restructured the Prime BEEF Teams Air Force-wide. The new tasking is to be two 61 person follow teams. Like all Air Force Civil Engineer units, we restructured our military/civilian mix to accommodate the new team structure. This restructuring was completed by the end of FY95. USAFA plans to use Reserve Individual Mobilization Augmentees (IMAs) for Liquid Fuels and Power Production where it does not have a peacetime requirement. This is in accordance with Chapter 3 of Air Force Instruction 38-204.

Equipment for the new Prime BEEF Team structure has been ordered. Approximately 80 percent of the equipment is on board and the remaining 20 percent will arrive by the end of FY96.

Currently, the Academy's two 4F9E7 Prime BEEF follow teams are a resource available and identified in the WMP-3 for contingencies. One of the two teams has been sourced in a theater Oplan following an initial sourcing conference in March 1995. The HQ AFCEA/CC memo (Appendix K), emphasized the need for the Academy Prime BEEF Teams is based on mobility requirements identified during the 1994 FORSIZE and not on whether they are tasked in the new series of theater Oplans. Our teams are required because the force projection MAJCOMS could not posture the number of teams required to meet their own requirements. Closed.

**FINDING C: REALIGNMENT AND CONSOLIDATION OF DUPLICATIVE FUNCTIONS**

1. We recommend the Superintendent, United States Air Force Academy:

a. Provide the final implementation date for the realignment and consolidation of the computer functions at the United States Air Force Academy and the related monetary benefits as a result of the realignment and consolidation.

Comments: Final implementation date was April 7, 1995. A savings of four positions was realized through consolidation. Also, we now have a consolidated help desk which has eliminated customer confusion over which desk to call. Closed.

b. Provide the final implementation date for the realignment and consolidation of the MWR functions at the United States Air Force Academy and the related monetary benefits as a result of the realignment and consolidation.

Comment: The consolidation of the MWR functions under the 10th Services Squadron was implemented on October 1, 1995. The remaining functions of the 34th Cadet Activities Squadron and the 34th Food Services Squadron have been consolidated. The Cadet Activities Squadron is being inactivated, and the Food Services Squadron is being redesignated as the 34th Services Squadron. This initiative was approved by HQ USAF/PE on November 2, 1995. Customer service and program deployment will be improved through single management of activities for the entire Academy population. Policies will be standardized to further enhance customer service and improve operating efficiency. The merger of "duplicative functions" provides a single organizational structure for oversight of all Services "support" activities while retaining those programs that are related to cadet training within the 34th Training Wing. Additional efficiencies will be realized as a result of merging the Base MWR Fund and the Cadet Isolated Unit Fund into a single Nonappropriated Fund Instrumentality (NAFI). Closed.

c. Provide the implementation date of phase one for the realignment and consolidation of the supply functions at the United States Air Force Academy and the related monetary benefits as a result of the realignment and consolidation.

Comments: Implementation date of the consolidation of supply functions was October 1, 1995. USAFA will conduct a follow-on manpower review after 6 months to validate savings. Estimated completion date is April 1, 1996.

d. Determine whether the supply services performed by the Cadet Issue Flight could be included in the existing 10 ABW/LGC supply contract.

Comments: As agreed with the DoDIG auditors, 10 ABW/LG will consider conducting an OMB circular A-76 study in April 1997.

e. Reclassify the three military positions listed in Appendix G as civilian positions on the United States Air Force Academy's Unit Manpower Document.

f. Obtain increased civilian endstrength authorizations and civilian payroll authority to reclassify the three military positions identified in Recommendation e. to civilian positions.

Comments: Concur. Positions were converted to civilian on August 31, 1995 by identifying offsets locally. Closed.

2. We recommend the Deputy Assistant Secretary of the Air Force (Force Manpower and Personnel):

a. Review and approve the United States Air Force Academy's Unfunded manpower requirements.

Comments: Concur. In accordance with Air Force policy, the Academy, Chief of Manpower and Organization has reviewed and approved the Academy unfunded manpower requirements in accordance with approved manpower standards. Closed.

b. Revise the United States Air Force Academy's "Unit Manpower Document" to reflect the economies and efficiencies obtained through the realignment and consolidation of functions at the United States Air Force Academy.

Comments: Concur. The Academy unit manning document has been revised to reflect the economies and efficiencies obtained through the realignment and consolidation of functions at the Academy. Closed.

The above are our comments on your recommendation. We also have some terminology changes for your consideration as indicated below:

Paragraph 6, line 2, page 23. Replace "Analysis Branch" with "Analyst (NAFFA)."

Paragraph 13, line 5, page 23. Replace "Nonappropriated Funds Personnel System Program Action Directive, April 14, 1991" with "Air Force Manual 34-310, effective June 10, 1994." As of June 30, 1995, the Academy NAF system operates under AFMAN 34-310 and a negotiated agreement with the AFL-CIO, and not the Nonappropriated Funds Personnel System Program Action Directive.

## Department of the Air Force Comments

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DEPARTMENT OF THE AIR FORCE  
Washington, D.C. 20330

NOV 16 1995

MEMORANDUM FOR HQ USAFA/CC

FROM: SAF/OS

SUBJECT: Air Force Academy Athletic Association--ACTION MEMORANDUM

**Purpose:** To prescribe policies governing the operation of the Air Force Academy Athletic Association (AFAAA) as a Supplemental Mission Support Nonappropriated Fund Instrumentality (NAFI) of the Department of the Air Force.

**Objectives:** The objectives of the AFAAA shall be:

- a. Provide direct supplemental support to the USAFA cadet athletic program. The USAFA cadet athletic program includes intramural sports, physical education, and intercollegiate athletics.
- b. Enhance the public image of the USAFA and the United States Air Force.
- c. Provide a medium through which the general public can be exposed to the USAFA, its athletic program, and the United States Air Force.

**Status of AFAAA:** In accordance with the 1994 findings of the Defense Advisory Commission on Service Academy Athletic Programs (DACSAAP), I find that the USAFA cadet athletic program aids in the mental, physical, and character development of all cadets and is a critical aspect of the USAFA education and training mission. Given the critical and mission essential nature of the USAFA cadet athletic program, all cadet athletic activities could be supported by appropriated funds. However, the unique nature of a collegiate athletic program allows the opportunity to generate nonappropriated funds that will supplement appropriated funds support of the USAFA cadet athletic program.

The AFAAA is a nonappropriated funds instrumentality authorized and established for the purpose of providing direct and essential supplemental nonappropriated funds support to the USAFA cadet athletic program. Given the unique direct mission support provided by AFAAA to the Academy's athletic mission, AFAAA is a Supplemental Mission Support NAFI and is not a Morale, Welfare, and Recreation (MWR) activity. AFAAA's existence and mission are mandated by statute. Title 10, United States Code section 9356(b) states the following:

- (b) Under regulations prescribed by the Secretary of the Air Force, the Superintendent of the Academy shall administer a nonappropriated fund account

Appendix A. 1 of 4 pages



for the athletics program at the Academy. The Superintendent shall credit to that account all revenue received from the conduct of the athletics program of the Academy and all contributions received for that program.

In accordance with the direction contained in this statutory section, I find that the mission of the AFAAA is to generate funds to supplement the appropriated funds support provided to the USAFA cadet athletic program. AFAAA should utilize its funds in ways which, in the discretion of AFAAA's management, maximizes supplemental funding support to the USAFA cadet athletic program. To these ends, the AFAAA is responsible for the management and operation of the following activities: (a) Gift Shops, (b) Ticket Office, (c) Concessions, (d) Operations in the Cadet Field House, (e) Management of Falcon Stadium, (f) AFAAA Housing, (g) AFAAA Trademark Licensing, (h) Personnel and Corporate Sponsorship Contracts, and (j) Maintenance and Repair of AFAAA supplies and equipment in support of activities mentioned above. In addition, AFAAA shall manage and operate any additional activities which may be incidental to, or necessary for, the efficient operation of these listed activities.

Operation of the AFAAA will be in accordance with directives applicable to other Air Force nonappropriated funds instrumentalities and the directives of the National Collegiate Athletic Association. However, because of the unique nature of operating a collegiate athletic department within the Department of the Air Force, where the Superintendent finds, in writing, that a specific Air Force Instruction, Policy Directive, Regulation, Pamphlet, or Manual (or portion thereof) prevents AFAAA from operating in a manner which is generally accepted and common to other collegiate athletic programs, the Superintendent may waive the provisions of that Air Force Instruction, Policy Directive, Regulation, Pamphlet, or Manual (or portion thereof) in writing. This waiver will be effective upon issuance. However, all such written waivers must be promptly submitted to the Office of the Secretary for review. The Secretary reserves the right to cancel any such Superintendent's waiver within the Secretary's sole discretion.

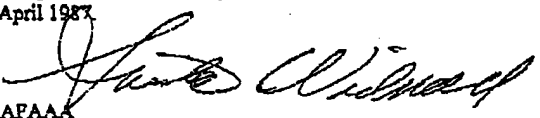
Notwithstanding the Superintendent's above-granted waiver authority, the Secretary hereby grants the waivers listed in Attachment 2. These waivers are effective immediately.

Specific policies governing the supervision and management of the AFAAA are contained in Attachment 1.

**Supersession:** This memorandum supersedes the Secretary of the Air Force Memorandum (same subject), dated 14 April 1987.

**Attachment:**

1. Supervision and Management of the AFAAA
2. Specific Waivers to Air Force Directives

  
**Sheila E. Widnall**  
Secretary of the Air Force

**SUPERVISION AND MANAGEMENT OF THE AFAAA**

1. Pursuant to Title 10, United States Code section 9356(b), the AFAAA is subject to the general supervisory powers of the Secretary of the Air Force and the Superintendent of USAFA is responsible for the immediate control, operation, and supervision of all its activities. Within the discretion of the Inspector General of the Air Force, the Inspector General may inspect and audit the AFAAA every three years. Reports of this inspection and audit shall be coordinated with other interested Secretariat offices and the Secretary of the Air Force advised of any pertinent findings.

2. The Superintendent of the USAF Academy is responsible for the management of the AFAAA. Operation of the AFAAA shall be in accordance with all applicable Air Force directives except where the Superintendent has issued written waivers per the Secretarial Action Memorandum. Additionally, the Superintendent shall appoint an advisory committee of at least five officers. Members of the committee will make recommendations to the Superintendent concerning the overall operation of AFAAA. The Superintendent, with the advice of the advisory committee, may issue a charter setting forth policies and day-to-day operating instructions for AFAAA.

3. The mission of the AFAAA is highly specialized and the organization is unlike any other nonappropriated funds instrumentality in the Air Force. Per AFI 65-106, AFAAA is a supplemental mission support fund and is not a Morale, Welfare, or Recreation (MWR) activity. Further, as stated in AFI 34-201, para 3.10, AFAAA is not considered an MWR activity for purposes of reporting appropriated funds support or other limitations. AFAAA's unique nature is highlighted by its direct supplemental support to USAFA mission element activities, its unique relationship to the USAFA Athletic Department, and its public relations responsibility to the United States Air Force and the USAFA. Many Air Force directives applicable and appropriate in other situations may hinder the flexibility needed by AFAAA to operate in the intercollegiate athletic arena. Notwithstanding any waiver issued per this Secretarial Action Memorandum, the entire operation of the AFAAA will be subject to the full scrutiny of the National Collegiate Athletic Association and will adhere to standard intercollegiate athletic policy, practices, and athletic regulations as issued by the NCAA. Of course, neither the Secretary of the Air Force nor the Superintendent may waive Federal statutes, DoD regulations or instructions, or the regulations of Federal agencies other than the Air Force. All AFAAA policies and practices must be consistent with applicable Federal laws, DoD regulations and instructions (where such issues specific guidance as opposed to general guidance), and the regulations of Federal agencies other than the Air Force.

4. The Superintendent is authorized to dissolve or inactivate the AFAAA. In accordance with AFI 34-201, the Air Force Central Special Fund is designated as the successor for the AFAAA. Dissolution procedures will be in accordance with AFI 34-201.

Attachment 1

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HQ USAFA/XP

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**SPECIFIC WAIVERS TO AIR FORCE DIRECTIVES**

1. **Procurement**--The Superintendent is hereby authorized to waive those provisions of the Air Force nonappropriated fund contracting directive (currently AFI 64-301) which prevent AFAAA from operating in a manner consistent with acceptable intercollegiate athletic practices. Notwithstanding any such waiver, all AFAAA contract actions shall comply with the policies and practices of the NCAA and with all applicable non-waived Federal directives.
2. **Public Relations**--The AFAAA may conduct public relations in a manner and by methods common to intercollegiate athletics and consistent with policies and practices of the NCAA. Air Force directives contrary to these methods, policies, and practices are hereby waived.
3. **Insurance**--AFAAA is hereby authorized to enter into commercial insurance programs and any Air Force directives to the contrary are hereby waived. AFAAA should examine their commercial insurance program at regular intervals to evaluate the feasibility of replacing commercial insurance with Air Force centrally established NAF insurance programs.
4. **Personal Services Contracts**--Civilian sports coaches and assistant coaches, their administrative staff, the Director of Promotions, the Director of Development, and administrative staff in the Marketing and Development area may be engaged under personal services contracts in accordance with the customs and procedures practiced by other NCAA member organizations. The terms of such contracts (including compensation) for individuals so engaged may be comparable to the terms of such personal services contracts for like occupations at NCAA institutions whose athletic program size, institutional importance, and scope are similar to those of the Air Force Academy. Any Air Force directives contrary to this provision are hereby waived.
5. **Real Estate and Facilities Use**--The Superintendent is delegated authority (with power of redelegation) to issue site and use licenses to outside organizations for the use of Air Force Academy athletic facilities, which include, but are not limited to, Falcon Stadium and the Cadet Field House. The license issuer shall generally follow the usage fee provisions of AFI 32-9003 (or any successor Air Force directive). However, the license issuer may allow usage fee waivers for organizations which would enhance the public image of the Air Force or the benefit the cadet training mission of the Academy.
6. **Fundraising**--The AFAAA may, insofar as such activities are consistent with the provisions of the Joint Ethics Regulation, engage in fundraising for itself on the Academy grounds without regard to any fundraising limitations contained in AFI 36-3101 (or any successor Air Force directive).

Attachment 2

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## Department of the Air Force Comments



### DEPARTMENT OF THE AIR FORCE

HEADQUARTERS UNITED STATES AIR FORCE ACADEMY

COLORADO SPRINGS, COLORADO 80840

06 SEP 1995

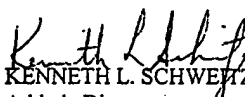
MEMORANDUM FOR: ALL AH PERSONNEL

FROM: AH

SUBJECT: Athletic Department Nonappropriated Fund Procurement Policy

1. Effective immediately, AHOI 176-5, Procurement of Supplies, Equipment and Services, is rescinded. Nonappropriated fund (NAF) procurement in the Athletic Department is now the responsibility of the Nonappropriated Fund Financial Management Branch (NAFFMB). In accordance with DoDI 4105.67, Nonappropriated Fund Procurement Policy, only individuals who have received formal procurement training may commit or obligate government funds. Therefore, Athletic Department personnel must ensure when talking to any vendors or contractors, they do not commit to any expenditures on behalf of the Air Force Academy Athletic Association (AFAAA). The only exceptions to this are reimbursable expenditures either from expense accounts or petty cash. This does not mean you cannot receive quotes from vendors but you must not enter into any agreement. If you do commit to an expenditure, you will be held liable for the amount committed.

2. To ensure adherence to this policy, all NAF procurement actions must be approved by AHC before being submitted to the NAFFMB for processing. Any requests not approved by AHC will not be paid by NAFFMB. If you have any questions concerning the new procedures, please contact Maj Moss or Capt Cavello at ext 2020.

  
KENNETH L. SCHWEITZER, Colonel, USAF  
Athletic Director

Appendix B.

## Department of the Air Force Comments



### DEPARTMENT OF THE AIR FORCE

HEADQUARTERS UNITED STATES AIR FORCE ACADEMY

USAF ACADEMY COLORADO



MEMORANDUM FOR SAF/FM

0 3 OCT 1995

FROM: HQ USAFA/CC  
2304 Cadet Drive, Suite 342  
USAF Academy CO 80840-5001

SUBJECT: AFI 65-106/USAFA Supplement 1

1. Request your approval of the attached US Air Force Academy Supplement to AFI 65-106, Appropriated Fund Support to Morale, Welfare and Recreation and Nonappropriated Fund Instrumentalities. The supplement describes the mission of the Air Force Academy Athletic Association (AFAAA) and its relationship with the Athletic Department. It also categorizes the activities of the Athletic Department by level of appropriated fund support authorized.
2. The supplement was prepared in response to a recent audit conducted by the DoD Inspector General and will clarify the status of Athletic Department and AFAAA activities. If your staff requires any further information regarding this supplement, please have them contact Major Tom Moss at DSN 259-2020.

PAUL E. STEIN  
Lieutenant General, USAF  
Superintendent

Attachment:  
AFI 65-106/USAFA Supplement 1



Appendix C. 1 of 4 pages

## Department of the Air Force Comments

**BY ORDER OF THE  
SUPERINTENDENT**

**AFI 65-106/USAFA SUPPLEMENT 1**

*Financial Management*

### **APPROPRIATED FUND SUPPORT OF MORALE, WELFARE, AND RECREATION AND NONAPPROPRIATED FUND INSTRUMENTALITIES**

AFI 65-106, 28 October 1994 is supplemented as follows. Prescribe policies governing the operation of the Air Force Academy Athletic Association (AFAAA) as a Supplemental Mission Services Nonappropriated Fund Instrumentality of the Department of the Air Force.

**2.2.1(Added). Objectives:** Objectives of the AFAAA shall be:

**2.2.1.1.** Provide direct supplemental support to the USAFA athletic program which entails participation in intramural sports, physical education and intercollegiate athletics by members of the Cadet Wing.

**2.2.1.2.** Enhance the public image of the USAFA and the United States Air Force.

**2.2.1.3.** Provide a medium through which the general public can be exposed to the USAFA and its athletic program.

**2.2.2. Status.** The USAFA athletic program involves the mental, physical and character development of all cadets and is an integral part of the prescribed Academy education and training process. The AFAAA, a responsibility of the Directorate of Athletics, is a Nonappropriated Fund Instrumentality (NAFI) authorized and established for the purpose of providing essential supplemental support to the athletic program. The Secretary of the Air Force established the fund, and the general outline of its operation and mission is set forth in Title 10, United States Code section 9356(b). The AFAAA is responsible for the management and operation of the following: (a) Gift Shops, (b) Ticket Office, (c) Concessions, (d) Operations in the Cadet Field House, (e) Management of Falcon Stadium, (f) AFAAA housing, (g) AFAAA Trademark Licensing, (h) Personnel and Corporate Sponsorship Contracts and (i) maintenance and repair of AFAAA supplies and equipment in support of activities mentioned above. Operation of the AFAAA will be in accordance with directives applicable to Air Force NAIs (except where waived by Secretarial Action Memorandum regarding waivers of Air Force directives relating to AFAAA) and the directives of the National Collegiate Athletic Association. Revenues generated from AFAAA activities supplement Academy Athletic Department programs. There are two categories of activities: Mission Support Activities and Athletic Association Support Activities (see attachment 1).

**2.2.3. Mission Support Activities.** Mission Support Activities are those activities which are identified as part of the primary mission of the USAFA (e.g., intercollegiate sports, physical education and intramurals), some of which have the capacity to generate Nonappropriated Fund (NAF) revenue. Mission Support Activities are not part of the AFAAA but are activities of the USAFA Athletic Department. They are authorized Appropriated Fund support and are supplemented by Nonappropriated Funds from the AFAAA to successfully accomplish USAFA goals and objectives. The amount of NAF support provided to any particular Mission Support Activity is determined by the Superintendent with the advice of the AFAAA management and the AFAAA Advisory Committee based on the overall condition of the fund. Factors AFAAA management may consider in determining the overall condition of the fund include, but are not limited to: the revenue generating potential of the particular Mission Support Activity, AFAAA's fiscal integrity, the unique needs of the particular Mission Support Activity, and the availability of appropriated funds to that mission activity.

**2.2.4. Athletic Association Support Activities.** Athletic Association Support Activities are those activities which exist primarily to generate income for the AFAAA (e.g., gift shops, concessions, trademark licensing and ticket

Appendix C. 2 of 4 pages

## Department of the Air Force Comments

sales) and/or provide direct support to other AFAAA activities (e.g., fund administration, housing maintenance and training meals). These activities have the highest capability to generate revenue, or require little or no appropriated fund support. They are considered self-sustaining and capable of funding most of their own expenses. Since these activities are essential to the solvency and well-being of the AFAAA, they make major contributions to the Athletic Department mission accomplishment. Athletic Association Support Activities are authorized indirect APF support but are not authorized direct APF support. Types of appropriated fund support authorized will conform to the types authorized for revenue generating activities as prescribed in AFI 65-106, Attachment 1.

CYNTHIA L. COX, Major, USAF  
Director of Financial Management  
and Comptroller

Attachment  
Activity Categories

Supersedes: None  
OPR: USAFA/AH (Maj Tom Moss)  
Certified by: USAFA/FM (Maj Cynthia L. Cox)

Editor: Sharron Conrad  
Pages: 3  
Distribution: F

Appendix C. 3 of 4 pages

## Department of the Air Force Comments

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*AFI 65-106/USAFA SUPPLEMENT 1, Attachment 1*

**US AIR FORCE ACADEMY ATHLETIC ASSOCIATION**  
*Activity Categories*

**MISSION SUPPORT ACTIVITIES**

Physical Education  
Intramurals  
Intercollegiate Sports  
Boxing  
Cheerleading  
Sports Information  
Candidate Counseling  
Stadium Maintenance  
Sports Camps  
Events Management  
Cadet Athletic Awards Ceremony  
Equipment Managers

**ATHLETIC ASSOCIATION SUPPORT ACTIVITIES**

Gift Shops  
Mail Order Catalog  
Concessions  
Ticket Office  
Seat Back Rentals  
Game Program Sales  
Recreational Skating  
Promotions and Blue & Silver Club  
Housing Maintenance  
Fund Administration  
Parking  
Vehicle Maintenance  
Paciolan (NCAA Ticketing Program)  
Nonrevenue Sports Administration  
Training Meals  
AH Public Relations  
Academic Enhancement

Appendix C. 4 of 4 pages



## Department of the Air Force Comments

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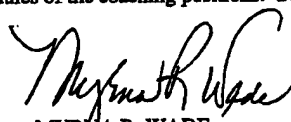
MEMORANDUM FOR XPM

16 OCT 1995

FROM: 10 MSS/DPC

SUBJECT: Correct Work Schedule for Coaches

We have evaluated the work schedules of the coaching positions. Seasonal employment is the correct work schedule.



MYRNA R. WADE  
Acting, Civilian Personnel Officer

Appendix D.

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P.02

## Department of the Air Force Comments



DEPARTMENT OF THE AIR FORCE  
HEADQUARTERS UNITED STATES AIR FORCE ACADEMY  
USAF ACADEMY COLORADO



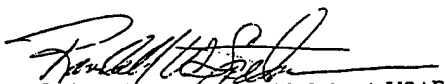
10 OCT 1995

MEMORANDUM FOR: ALL AH PERSONNEL

FROM: AH

SUBJECT: Athletic Department Facility Usage Licensing Agreement Policy

1. Effective immediately, requests for facility usage licensing agreements are to be submitted to the Athletic Department Events Management Office and forwarded to the Special Events Committee for approval. The Special Events Committee consists of representatives from the Athletic Department (AH), Financial Management (FM) and Civil Engineering (CE).
2. If a request is approved by the Committee, Events Management personnel will draft a licensing agreement using costs developed in conjunction with FM and CE. If a usage fee is waivable under AFI 32-9003 it will be stated in the agreement. The agreement will then be forwarded to the Athletic Department Comptroller's Office (AHC) for review and routed through the Staff Judge Advocate's Office (JA) to determine legal sufficiency. After this is accomplished, the agreement will be forwarded to the Director of Athletics for approval and sent to the Vice Superintendent's office for signature.
3. Once the agreement is signed, copies will be sent to FM, CE and the Nonappropriated Fund Financial Management Branch (NAFFMB) accounting office. Reimbursement will then be made to the O&M account through coordination with FM and CE. If you have any questions concerning these procedures, please contact Maj Moss or Capt Cavello at ext 2020.

  
RANDALL W. SPETMAN, Colonel, USAF  
Deputy Director of Athletics



Appendix, E.

## Department of the Air Force Comments



DEPARTMENT OF THE AIR FORCE  
HEADQUARTERS UNITED STATES AIR FORCE ACADEMY  
USAF ACADEMY COLORADO

28 APR 1994



MEMORANDUM FOR HQ USAFA/AHSF/AHSI/AHSL/AHSBC/AHSBD/  
AHSBG/AHSBT

FROM: HQ USAFA/AHSB

SUBJECT: Civilian Overtime Clarification

1. All supervisors are to ensure that requests for civilian overtime, AF Form 428, are submitted in accordance with AFM 177-372A, Vol II, paragraph 1.9 (atch 1), and NAF Personnel System Program Action Directive, Change 3, paragraph 5 (atch 2) where applicable. A few words explaining the reason for overtime for each employee is also required.
2. Effective immediately, any AF Forms 428 submitted after the accomplishment of planned overtime, will be disapproved. Unplanned overtime, due to late customers, etc. must be submitted no later than three calendar days after the overtime was performed. If the request is submitted any later than this, the requester must justify the reason why the request was submitted so late. Unplanned overtime must be kept to an absolute minimum.
3. Questions concerning this policy should be addressed to Capt Bob Cavello, x2020.

  
SAMUEL J. BOLE, Colonel, USAF  
Director of Athletic Support

Attachment

1. AFM 177-372A, Vol II, para 1.9
2. NAF Personnel System Program  
Action Directive, Change 3, para 5



Appendix F.

## Department of the Air Force Comments



DEPARTMENT OF THE AIR FORCE  
HEADQUARTERS UNITED STATES AIR FORCE ACADEMY  
USAF ACADEMY COLORADO



10 OCT 1995

MEMORANDUM FOR: ALL AH PERSONNEL

FROM: AH

SUBJECT: Athletic Department Ethics Training Policy for NAF Personnel

1. Effective immediately, all nonappropriated fund employees will receive ethics training within 90 days of entering their new position. Initial ethics training will be conducted by the base ethics office for a minimum of one hour.
2. All nonappropriated fund employees who are contracting or procurement officials, shall receive additional ethics training at least annually. This follow-on training will be conducted by the base ethics office for a minimum of one hour.
3. If you have any questions concerning these procedures, please contact Maj Moss or Capt Cavello at ext 2020.

RANDALL W. SPETMAN, Colonel, USAF  
Deputy Director of Athletics



Appendix G.

DEPARTMENT OF THE AIR FORCE  
HEADQUARTERS UNITED STATES AIR FORCE ACADEMY  
USAF ACADEMY COLORADO

27 JUL 1995

MEMORANDUM FOR DoDIG

FROM: 10 ABW/JA

SUBJECT: Alicia Braverman - Ethics Training

1. I discussed the issue of required ethics training of new civilian employees with a member of the DoDIG team earlier this year. At that time, the issue concerning Alicia Braverman, a relatively new employee at the visitor's center, was discussed. It is my understanding that Alicia Braverman had not received her initial ethics training and had also received travel expenses from a creditor to travel to the vendor's place of business for the purpose of reviewing the vendor's product line.
2. The issue of initial ethics training has been resolved. Initial ethics training was completed shortly after the above referenced discussion. Provisions for initial ethics training for all new employees have also been made.
3. Regarding the acceptance of travel expenses related to Ms Braverman's official duties, DoD 5500.7-R, Paragraph 4-101a.(1) states that travel expenses of DoD employees, paid by non-federal sources, may be accepted by Heads of DoD Components when such expenses are in connection with the employees' attendance in an official capacity at a meeting or similar function. Procedures for acceptance of these payments are set forth in the paragraphs following this paragraph. The significant part of these procedures involves obtaining permission from the travel approving authority (in writing) with the advice of the employee's Ethics Counselor, prior to travel, and the reporting of the acceptance of these payments.
4. In Ms Braverman's case, she was not aware of the above procedures. Travel expenses were accepted without approval of the travel approving authority. When I reviewed the case, I concluded Ms Braverman's failure was a "technical" violation. She had not followed procedures. However, I also concluded that I, as the employee's Ethics Counselor, would have advised the travel approving authority to approve the acceptance of the travel expenses from the non-federal source. The expenses were incurred in connection with Ms Braverman's official duties. In the event these expenses exceeded \$250, the acceptance of the payment would be reported, as required by DoD 5500.7-R, Paragraph 4-301. Therefore, as the payment would have been accepted had procedures been followed and because the acceptance of the payment would be included in our semi-annual report (if applicable), I did not recommend any action other than to provide

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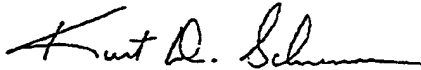
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Appendix H. 1 of 2 pages

## Department of the Air Force Comments

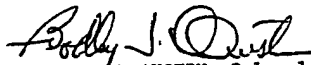
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necessary training. Ms Braverman had not acted maliciously, but out of ignorance of the requirements.



KURT D. SCHUMAN, Major, USAF  
Staff Judge Advocate

~~Concur.~~



BRADLEY J. DeAUSTIN, Colonel, USAF  
HQ USAFA/JA Staff Judge Advocate

TOTAL P.02

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TX/RX NO.0574 P.002

Appendix H. 2 of 2 pages

## Department of the Air Force Comments

10 OCT 1995

Memo For Record

Subject: IRS Decision Concerning Contract Employees' Status

1. Mr Jerry Sayles, AHSL, spoke with Mr Nordstra of the Denver Internal Revenue Service in August 1995. Mr Nordstra stated the AFAAA contracted personnel are to be considered employees of the Athletic Association in accordance with IRS Publication 937.
2. Referencing IRS Publication 937, two usual characteristics of an employer-employee relationship are that the employer has the right to discharge the employee and the employer supplies the employee with tools and a place to work. Additionally, if you have an employer-employee relationship, it makes no difference how it is described. It does not matter if the employee is called an employee, partner, agent or independent contractor. It doesn't matter how the payments are made, or what they are called. Nor does it matter whether the individual is employed full time or part time.



ROBERT J. CAVELLO, Captain, USAF  
Chief, Business Management Division

Appendix I. 1 of 3 pages

## Department of the Air Force Comments



U. S. TREASURY DEPARTMENT  
WASHINGTON 25

OFFICE OF  
COMMISSIONER OF INTERNAL REVENUE

ADDRESSES REPLY TO  
COMMISSIONER OF INTERNAL REVENUE  
WASHINGTON 25, D. C.

AND REFER TO  
T:R:PEO:S  
RD

JUN 5 1956

Air Force Academy Athletic Association  
U. S. Air Force Academy  
Denver 8, Colorado

Gentlemen:

Consideration has been given to the evidence submitted for use in determining your status for Federal income tax purposes.

Since it appears from the evidence submitted that you were established as of October 7, 1954, by General Order No. 10, Headquarters, United States Air Force Academy, pursuant to authorization contained in a memorandum from the Secretary of the Air Force to the Superintendent of the Academy, it is our opinion that, for Federal income tax purposes, you are an activity of the Department of the Air Force, an instrumentality of the United States, and as such you are not subject to Federal income tax and are not required to file Federal income tax returns.

Contributions made to you are deductible by the donors in computing their taxable income in the manner and to the extent provided in section 170 of the Internal Revenue Code of 1954.

Bequests, legacies, devises, or transfers, to or for your use are deductible in arriving at the value of the estate of a decedent for estate tax purposes in the manner and to the extent provided by sections 2055 and 2106 of the 1954 Code. Gifts of property to you are deductible in computing gifts for gift tax purposes in the manner and to the extent provided in section 2522 of the 1954 Code.

We are also of the opinion, on the basis of the information furnished, that you are an activity of and controlled by the Department of the Air Force for Federal Insurance Contributions Act tax purposes. Therefore, services performed by employees in your operation are performed in the employ of such Department.

The taxes imposed by the Federal Insurance Contributions Act are applicable to "wages" for "employment" as those terms are defined in section 3121 of the 1954 Code. Section 3122 of such Code provides, with respect to services performed in the employ of the United States or a wholly owned instrumentality thereof, that the determination

Appendix I, 2 of 3 pages  
~~SECRET~~



## Department of the Air Force Comments

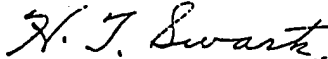
### 2 - Air Force Academy Athletic Association

whether an individual has performed service which constitutes employment as defined in section 3121(b), the determination of the amount of remuneration for such service which constitutes wages as defined in section 3121(a), and the return and payment of the taxes imposed by the Act shall be made by the head of the Federal agency or instrumentality having the control of such service, or by such agency as he may designate. Accordingly, the applicability of such taxes to amounts paid to employees for services performed in your operation is governed by section 3122 of the 1954 Code.

Your inquiry relating to the deduction of contributions under the special limitation provided in section 170(b)(1)(A) of the 1954 Code will be made the subject of a separate communication.

The District Director of Internal Revenue, Denver, Colorado, is being advised of this action.

Very truly yours,



Director, Tax Rulings Division

Appendix I. 3 of 3 pages

## Department of the Air Force Comments

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DEPARTMENT OF THE AIR FORCE  
HEADQUARTERS UNITED STATES AIR FORCE ACADEMY  
USAF ACADEMY CO 80840

MEMORANDUM FOR HQ USAFA/CV  
HQ USAFA/CCE  
HQ USAFA/CC  
INTURN

10 OCT 1995

FROM: HQ USAFA/JA

SUBJ: Revenue from Product Endorsement Contracts

1. The Department of Defense Inspector General (DoDIG) has given us a draft audit report on the supervision and management of the United States Air Force Academy (USFA). This draft audit report includes an extensive and detailed section regarding the USAFA Athletic Department and the Air Force Academy Athletic Association (AFAAA). You have specifically asked us to issue an opinion regarding a part of the DoDIG's finding A.19. This finding relates to a section of the report entitled "Benefits from the Product Endorsement Contracts".

2. By way of background, USAFA allows its contract coaches to enter into product endorsement contracts with shoe and apparel companies. This is a generally accepted practice among NCAA institutions and is perfectly legal. The coaches generally receive either a cash payment or a retail credit (or both) in return for their endorsement. The USAFA also benefits in that it generally receives free team equipment and apparel. USAFA also generally receives substantial price breaks on any equipment and apparel it does have to buy. This free (and discounted) merchandise saves substantial amounts of appropriated funds.

3. In 1994, President Clinton signed Public Law 103-337 (FY94 Defense Authorization Act). This law included section 556(c)(1), which stated in part:

...(b) Under regulations prescribed by the Secretary of the Air Force, the Superintendent of the Academy shall administer a nonappropriated fund account for the athletics program of the Academy. The Superintendent shall credit to that account all revenue received from the conduct of the athletics program of the Academy and all contributions received for that program....

The DoDIG has taken this particular language and made the following conclusion:

Based on Public Law 103-337, *the income received or revenue generated as a result of any association with the Academy's athletic program* by the Athletic Department's coaching staff (to include contract coaches) should also have been credited to the nonappropriated account. (Emphasis added) Pg. 21, draft audit report

Appendix J. 1 of 2 pages


## Department of the Air Force Comments

4. In our view, the DoDIG's conclusion is without legal basis. The report writers appear to simply misread the legislative intent of Section 556(c)(1). Congress' main intent behind Section 556 was to mandate that the Naval Academy establish a nonappropriated funds account to benefit their athletic program. The Naval Academy had previously deposited athletic revenue into a private corporation. Inasmuch as the Naval Academy was the "target" of Section 556, we believe Congress intended to merely ratify the current nonappropriated fund account structure at both the Military Academy and USAFA. Congress did not intend to make any substantive changes to the structure of the athletic associations at these two academies. We believe both the legislative history of P.L. 103-337 and Section 556 itself support our interpretation. For example, Section 556(d) mandates the Naval Academy report to Congress on its implementation of Section 556. Neither of the other Academies must so report. The legislative history goes into more detail on the contents of the expected report from the Naval Academy.

5. In addition, we believe one must interpret a statute with an eye toward a common sense reading of the language actually in the statute. Section 556(c)(1)(b) reads "[t]he Superintendent shall credit to that account all revenue received...". DoDIG personnel, in the draft report, make a leap of logic that, in our view, defies common sense. They interpret the phrase "...all revenue received..." to apparently include all revenue received (by anyone) as a result of any association with the Academy's athletic program. Such an interpretation would obviously lead to results never intended by Congress. For example, stadium concessionaires clearly receive income as a result of association with the Academy's athletic program. Must these concessionaires return their income to AFAAA? What about actual salaries received by coaches? Are these salaries not received as a result of "association" with the Academy's athletic program? It is not difficult to envision where the DoDIG interpretation would eventually lead, if taken to its logical (or illogical) conclusion.

6. We believe a more rational interpretation of Section 556 would mandate the Superintendent to deposit any athletic revenue or contributions received by the Academy (not received by private individuals) into AFAAA. This interpretation would ensure that all proper revenue is deposited into the AFAAA without the illogical results sure to occur under the DoDIG's interpretation. In our opinion, this is the only legal and logical interpretation of the meaning of Section 556.

7. If you have any questions on this opinion, please let us know.

  
BRADLEY J. DEAUSTIN, Col, USAF  
Staff Judge Advocate

- Attachments
1. Section 556, P.L. 103-337
  2. Legislative history of Section 556

cc: HQ USAFA/AH

Appendix J. 2 of 2 pages

108 STAT. 2774

PUBLIC LAW 103-337—OCT. 5, 1994

James Webster  
Smith.

Johnson  
Chestnut  
Whittaker.

(1) the discharge from the Corps of Cadets of the United States Military Academy in 1874 of James Webster Smith of South Carolina; and

(2) the discharge from the Corps of Cadets of the United States Military Academy in 1880 of Johnson Chestnut Whittaker of South Carolina.

(b) PURPOSES OF REVIEW.—The purpose of each review shall be to determine the validity of the original proceedings leading to such discharge and the extent, if any, to which racial prejudice or other improper factors now known may have tainted those proceedings. In conducting each review, the Secretary shall use as broad a range of historical documents as possible, including non-military sources.

(c) CORRECTION OF RECORDS.—If the Secretary determines that the discharge of James Webster Smith or Johnson Chestnut Whittaker was in error or an injustice, the Secretary shall correct that person's military records (including the records of proceedings in that person's discharge case).

(d) POSTHUMOUS COMMISSION.—Upon recommendation of the Secretary in the case of either person named in subsection (a), the President may issue in the name of that person a posthumous commission as an officer in the Regular Army in the grade of second lieutenant. Section 1523 of title 10, United States Code, shall apply with respect to a commission so issued.

**SEC. 556. ADMINISTRATION OF ATHLETICS PROGRAMS AT THE SERVICE ACADEMIES.**

(a) UNITED STATES MILITARY ACADEMY.—(1) Chapter 403 of title 10, United States Code, is amended by adding at the end the following new section:

**“§ 4357. Athletics program: athletic director; nonappropriated fund account**

“(a) The position of athletic director of the Academy shall be a position in the civil service (as defined in section 2101(1) of title 5). However, a member of the armed forces may fill that position as an active duty assignment.

Regulations.

“(b) Under regulations prescribed by the Secretary of the Army, the Superintendent of the Academy shall administer a nonappropriated fund account for the athletics program of the Academy. The Superintendent shall credit to that account all revenue received from the conduct of the athletics program of the Academy and all contributions received for that program.”

(2) The table of sections at the beginning of such chapter is amended by adding at the end the following new item:

“4357. Athletics program: athletic director; nonappropriated fund account.”

(b) UNITED STATES NAVAL ACADEMY.—(1) Chapter 603 of such title is amended by adding at the end the following new section:

**“§ 6975. Athletics program: athletic director; nonappropriated fund account**

“(a) The position of athletic director of the Naval Academy shall be a position in the civil service (as defined in section 2101(1) of title 5). However, a member of the armed forces may fill that position as an active duty assignment.

“(b) Under regulations prescribed by the Secretary of the Navy, the Superintendent of the Naval Academy shall administer a

Appendix K.  
1 of 4 pages

PUBLIC LAW 103-337—OCT. 5, 1994

108 STAT. 2775

nonappropriated fund account for the athletics program of the Naval Academy. The Superintendent shall credit to that account all revenue received from the conduct of the athletics program of the Naval Academy and all contributions received for that program."

(2) The table of sections at the beginning of such chapter is amended by adding at the end the following new item:

"6975. Athletics program: athletic director; nonappropriated fund account."

(3) The account referred to in subsection (b) of section 6975 of title 10, United States Code, as added by paragraph (1), shall be established not later than the effective date set forth in subsection (e). 10 USC 6975 note.

(c) UNITED STATES AIR FORCE ACADEMY.—(1) Chapter 903 of such title is amended by adding at the end the following new section:

"§9356. Athletics program: athletic director; nonappropriated fund account

"(a) The position of athletic director of the Academy shall be a position in the civil service (as defined in section 2101(1) of title 5). However, a member of the armed forces may fill that position as an active duty assignment.

"(b) Under regulations prescribed by the Secretary of the Air Force, the Superintendent of the Academy shall administer a nonappropriated fund account for the athletics program of the Academy. The Superintendent shall credit to that account all revenue received from the conduct of the athletics program of the Academy and all contributions received for that program." Regulations.

(2) The table of sections at the beginning of such chapter is amended by adding at the end the following new item:

"9356. Athletics program: athletic director; nonappropriated fund account."

(d) NAVY IMPLEMENTATION STUDY.—Not later than March 15, 1995, the Secretary of the Navy shall submit to Congress a report on the costs to the Department of the Navy of implementation of section 6975 of title 10, United States Code, as added by subsection (b). The report shall include a time line and description of the actions the Secretary plans to take to implement the requirements of that section. Reports.

(e) EFFECTIVE DATE.—Section 6975 of title 10, United States Code, as added by subsection (b), shall take effect on January 1, 1996. 10 USC 6975 note.

**SEC. 357. REIMBURSEMENT FOR CERTAIN LOSSES OF HOUSEHOLD EFFECTS CAUSED BY HOSTILE ACTION.**

(a) AUTHORITY TO REIMBURSE.—Chapter 163 of title 10, United States Code, is amended by adding at the end the following new section:

"§2738. Property loss: reimbursement of members for certain losses of household effects caused by hostile action

"(a) AUTHORITY TO REIMBURSE.—The Secretary concerned may reimburse a member of the armed forces in an amount not more than \$100,000 for a loss described in subsection (b).

"(b) COVERED LOSSES.—This section applies with respect to a loss of household effects sustained during a move made incident to a change of permanent station when, as determined by the

709

The House amendment contained an identical provision (sec. 521).

The conference agreement includes this provision.

*Authorized active duty strengths for Army enlisted members in pay grade E-8 (sec. 552)*

The House amendment contained a provision (sec. 524) that would amend section 517(a) of title 10, United States Code, to provide a new authorized daily average number of enlisted members on active duty (other than for training) in the Army in pay grade E-8.

The Senate bill contained no similar provision.

The Senate recedes.

*Prohibition on imposition of additional charges or fees for attendance at certain academies (sec. 553)*

The House amendment contained a provision (sec. 531) that would prohibit the imposition of any charge or fee for tuition, room or board for attendance at the United States Military Academy, United States Naval Academy, United States Air Force Academy, United States Coast Guard Academy, or United States Merchant Marine Academy.

The Senate bill contained no similar provision.

The Senate recedes.

*Survey on the state of race and ethnic issues in the military (sec. 554)*

The House amendment contained a provision (sec. 536) that would require the Secretary of Defense to carry out a biennial survey to measure the state of racial and ethnic issues and discrimination among active duty military personnel.

The Senate bill contained no similar provision.

The Senate recedes with an amendment that would change the deadline for the first survey to May 1, 1995.

*Review of certain discharges from the United States Military Academy (sec. 555)*

The Senate bill contained a provision (sec. 521) that would require the Secretary of the Army to review the discharge from the United States Military Academy of James Webster Smith in 1874 and Jackson Chestnut Whittaker in 1882 to determine whether the proceedings were tainted by racial prejudice or other improper factors.

The House amendment contained a similar provision (sec. 537).

The House recedes with a clarifying amendment.

*Administration of athletics programs at the service academies (sec. 556)*

The Senate bill contained a provision (sec. 1090) that would establish as a civil service position the position of athletic director at the United States Military Academy, United States Naval Academy, and United States Air Force Academy. The provision would also establish nonappropriated fund accounts for the athletic programs of the academies.

710

The House amendment contained no similar provision. The House recedes with an amendment that would change the effective date of this provision to January 1, 1996.

The conferees note a September 1991 report of the General Accounting Office, The Organizational Status, Financial Status, and Oversight of the Naval Academy Athletic Association. Nonetheless, the conferees direct the Secretary of the Navy to report to the Committees on Armed Services of the Senate and House of Representatives not later than March 15, 1995 on: (1) the projected cost to the Department of the Navy of implementing the changes required by this section; (2) the time lines and milestones for implementing these changes; (3) the details on how the position of athletic director would be established, including the anticipated civil service grade or pay level and any required exemptions to statutes governing Federal civil service employees; and (4) other matters relevant to this issue.

Upon receipt of this report, the Committees on Armed Services will evaluate its information with the intent of adopting, if necessary, perfecting legislation prior to the effective date of this provision.

*Reimbursement for certain losses of household effects caused by hostile action (sec. 557)*

The Senate bill contained a provision (sec. 654) that would authorize the secretaries of the military departments to reimburse servicemembers for the loss of household goods sustained during a permanent change of station move when the loss is caused by hostile action incident to war or a warlike action by a military force.

The House amendment contained a similar provision (sec. 525).

The House recedes with an amendment that would make clarifying changes.

*Military recruiting on campus (sec. 558)*

The Senate bill contained a provision (sec. 1076) that would preclude an institution of higher education that denies or prevents recruiting on campus from receiving DOD funds.

The House amendment contained a similar provision (sec. 535), but included "any educational institution" among those to be covered by this provision.

The House recedes.

*Authorization for instruction of civilian students at the foreign language center of the Defense Language Institute (sec. 559)*

The House amendment contained a provision (sec. 532) that would authorize the Secretary of the Army to establish a program terminating in 1997 to allow civilians to receive instruction at the Defense Language Institute.

The Senate amendment contained no similar provision.

The Senate recedes.

*Discharge of members who are permanently non-worldwide assignable (sec. 560)*

The House amendment contained a provision (sec. 534) that would require that members of the armed forces who are classified

## **Audit Team Members**

This report was prepared by the Readiness and Operational Support Directorate, Office of the Assistant Inspector General for Auditing, DoD.

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## INTERNET DOCUMENT INFORMATION FORM

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**B. DATE Report Downloaded From the Internet: 12/20/99**

**C. Report's Point of Contact: (Name, Organization, Address, Office Symbol, & Ph #):**  
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Inspector General, Department of Defense  
400 Army Navy Drive (Room 801)  
Arlington, VA 22202-2884

**D. Currently Applicable Classification Level: Unclassified**

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